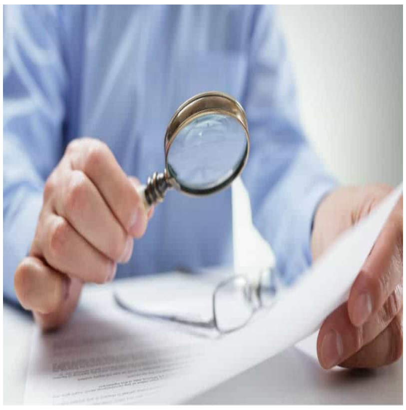

1 High-Growth TSX Stock to Watch Closely in July 2021

Description

The **TSX Index** booked one of its best first halves of the year in recent memory, but it's been a bumpy ride for high-growth TSX stocks. While many bears are worried over the chances of a painful correction, I'd argue that it's far better to take a page out of billionaire investor Leon Cooperman's playbook by playing the role of a "fully-invested bear." There's no problem with treading carefully into the second half of 2021. In fact, the odds of a sudden correction are pretty high. That said, nobody knows when it will hit and if the TSX's continued rally will offset the next correction.

Even if prospective returns are low here, you can stock pick your way to success — something that Cooperman plans to do. Sure, there's froth in parts of this market, and the markets, as a whole, may slide. But if you're a stock picker who's focused on outpacing the broader indices, you can pick your spots carefully and do relatively well, even if most other passive investors sink.

Risks on both ends

Moreover, the opportunity costs of hoarding savings in a higher-inflation environment haven't been this high in quite some time. Odds are that the U.S. Federal Reserve will be right in that inflation witnessed in the first half will be short-lived.

As supply catches up, there's no question that inflation can temper down to the Fed's target of around 2% by this time next year. Still, as Warren Buffett put it in his sitdown with *CNBC* earlier this week, the pandemic isn't over, and things couldn't be more unpredictable in the race between COVID-19 variants and vaccines.

An unpredictable environment doesn't have to be ominous. The recovery from the depths of last March was unprecedented. Few folks thought the stock market would recover so quickly in an environment that was about as unpredictable as it could get. Moving into late 2021, things could very well be better than expected. The pandemic could abate alongside inflation, and the economy could take off in the early innings of the "Roaring '20s."

Still, negative surprises are also possible, including a fourth wave and runaway inflation. That's why it's wise to play both sides of the coin as a cautious but invested bear with a backup plan in case things go sour.

In this piece, let’s have a closer look at one interesting TSX stock to watch this July 2021. Shares are already battered, such that they’re less likely to take a brunt of the damage come the next market-wide downturn, which may or may not be sparked by a negative surprise that almost nobody is thinking about right now.

Kinaxis: This TSX stock may be a huge bargain

Kinaxis (TSX:KXS) is a supply-chain management SaaS (Software-as-a-Service) company that may very well be the cheapest cloud stock out there. In a prior piece, I’d praised Kinaxis for its technical soundness, remarking on the potential for a double-bottom reversal pattern to propel the TSX stock toward its all-time highs.

With rates on the retreat, Kinaxis and other hard-hit tech stocks are bound to get a nice lift. Today, Kinaxis stock trades at 15.9 times sales and 12.6 times book value. Frothy? Perhaps. But far less so than most other high-growth cloud companies out there.

As shares look to recover, I’d look to accumulate on the way up, regardless of what Mr. Market deems is next. Rotations, reversals, volatility, and the odd correction may be in the forecast for the second half of 2021. So, bring an umbrella, stay diversified, and be ready. But please don’t overreact by staying indoors in case the rainstorm ends up being a light shower.

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