1 Cloud-Harnessing Canadian Stock to Buy at New Highs

Description

A market correction is going to hit eventually, but timing it is a foolish (that's a lower-case *f*, folks!) endeavour that's only likely to lead you to miss out on the gains.

Undoubtedly, the **TSX Index** could outpace the S&P 500 into year's end, as it looks to add to one of its best first halves of the year in recent memory. To do it, the Canadian index needs financials and energy to continue flexing their muscles. In recent weeks, oil and various other commodities (lumber prices rolled over!) have taken a bit of a breather. Whether it's the start of a larger downward trend remains to be seen.

Even if energy and financials, both of which are heavy hitters on the TSX, take a backseat and begin to sag into year's end, I still think there are plenty of value names on this side of the border that could help the TSX get the lift it needs to finally outperform top U.S. indices in the S&P 500 or Dow Jones Industrial Average (DJIA).

There still appears to be ample value on the TSX, even at these heights.

The early innings of the "Roaring '20s" environment is to bring forth substantial earnings growth. Such earnings growth may be heavily discounted for certain less-loved Canadian firms relative to their more popular U.S. counterparts. And in this piece, we'll have a look at two Canadian stocks at new highs that are still worthy of buying.

There's nothing wrong with buying high and selling higher (or not at all!)

Remember, just because a stock hit a new high does not mean it's undervalued. With the right catalysts, such breakout plays may actually be still undervalued, given improved fundamentals or a more attractive industry backdrop. Buying low and selling high isn't the only way to make money in the market. In the early innings of an economic boom, it's perfectly okay to miss the bottom by buying high and selling higher.

Consider **Descartes Systems Group** (TSX:DSG)(NASDAQ:DSGX), a terrific Canadian cloud stock that still looks cheap, despite recently making the new all-time high list.

Descartes Systems: A Canadian cloud stock that could one day be crowned king

Descartes is a mid-cap Canadian tech company that doesn't make the headlines as much as its bigger brothers in the scene. The company is relatively small with a mere $7.4 billion market cap and is well positioned to continue growing at an above-average rate over the years. For those unfamiliar with the name, it's a cloud company engaged in the logistics and supply chain management arena. The company has carved out a nice share of the niche market, and its moat looks to be pretty sizeable, despite its small size.

Year to date, Descartes stock is up 18%. Over the past five years, shares have surged around 250%. Undoubtedly, the company fared well during the pandemic. Even as things return to normal, I suspect demand for value-adding cloud solutions will remain strong, perhaps stronger than most think, as supply chains look to grapple with surging demand across a wide range of products.

The stock trades at 16.3 times sales. That's not cheap, but for a cloud-harnessing tech company? I'd say that's a bargain, especially versus the likes of U.S. cloud plays that have been bid up higher over the past two years.

Bottom line

I'm not a fan of buying stocks at new highs, either. But Descartes does appear to be a relative bargain in this "frothy" market. Given how well things have been going for the firm, I wouldn't hesitate to buy the name, as it looks to keep on making new highs.

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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:DSG (The Descartes Systems Group Inc)

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