



## Why Canadian Stocks Are Falling in July 2021

### Description

The Canadian stock market has started the second half of 2021 on a negative note after staging the record-setting rally in the first half. At the end of June, the **TSX Composite Index** was trading with nearly 16% year-to-date gains as many stocks from industries like energy, mining, and financials soared. However, the upward trend in most of these stocks seems to have reversed this month.

Let's take a closer look at what could be causing the Canadian stocks to drop in July and whether the ongoing market losses may sustain.

### Why the stock market is falling

The last few weeks haven't been good for commodities investors — particularly for crude oil and precious metals like gold and silver. While the demand for these commodities remains largely stable, rising COVID cases due to new variants are hurting investors' sentiments.

Crude oil has recently [tumbled](#) to its lowest level in nearly six weeks, while gold prices are struggling to rise from their June lows. In general, the demand for gold tends to rise in uncertain times. However, strong demand for the U.S. dollar right now seems to be affecting the yellow metal's upward movement.

As many large Canadian companies' profits are directly or indirectly dependent on the metal and oil prices, stocks investors are getting worried that a consistent drop in the commodities market could dim such businesses' earnings growth outlook.

These factors along with concerns over rising inflation and surging cases of new COVID variants could be [hurting the stock market](#) this month.

### But the stocks rally may continue

It's very common to see a good downside correction in commodities prices and stocks after their months of a consistent rally. In fact, such short-term corrections could be healthy for stable markets.

While oil prices might be falling in July, they are still not far away from their highest level since 2015.

Similarly, I expect gold prices to bounce back if the ongoing uncertainties related to rising COVID cases continue to haunt investors in the coming weeks.

That's why I see the ongoing stock market declines as temporary, and long-term investors can utilize this opportunity to buy their favourite stocks cheaply.

## Which stocks to buy for the second half of 2021

As I noted earlier, most mining and metal stocks saw a strong rally in the first half of the year. However, some of the top tech stocks like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) remained nearly silent in the first few months of 2021. To give you an idea, the TSX Composite benchmark rose by 13.2% in the first five months this year.

In contrast, shares of Shopify rose by just 3% during the same period, while Lightspeed stock slipped by 2.3% despite a solid trend in their financials. That's one of the reasons why tech stocks are undervalued right now, which could keep the market rally going in the second half.

Both Shopify and Lightspeed will report their [latest quarterly earnings](#) in the next couple of weeks. Lightspeed's quarterly sales could continue to double in the next few quarters as the reopening economies are likely to keep the demand for its omnichannel commerce software high.

While Shopify's year-over-year sales growth rate might decline slightly in the coming quarters, I still expect its sales growth to be much higher than analysts' estimates as more businesses continue to build their online presence.

That's why it could be a great time for long-term investors to buy stocks like SHOP and LSPD without worrying much about the short-term market sell-off.

### CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks
4. Tech Stocks

### TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:SHOP (Shopify Inc.)

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