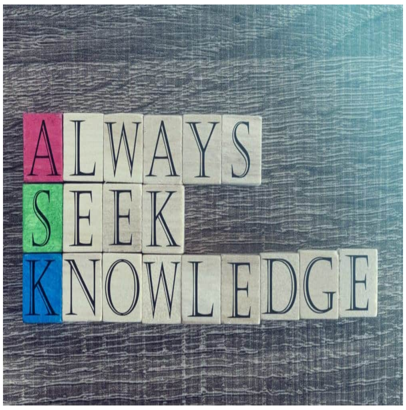

2 Hard-Hit Canadian Tech Stocks Down Way More Than the Market

Description

The market correction that so many market strategists predicted is over halfway from coming to fruition. Undoubtedly, the first half of October tends to be a scary month for investors. But only those who've gone deep into margin should be scared ahead of the Halloween season. Indeed, the magnitude of margin debt is at a high point.

For Foolish investors with plenty of cash on the sidelines, though, the recent 5% dip in markets should be treated as nothing more than an opportunity to top up some of your favourite portfolio holdings. With tech taking a brunt of the damage again, it may be wise to check out some of the more beaten-down plays, such as **Kinaxis** (TSX:KXS), which is down around 19% and flirting with bear market territory. Similarly, **Enghouse Systems** (TSX:ENGH) now finds itself down around 30% from its high.

It's hard to tell how much more damage such tech stocks will have to endure, as rates continue their ascent amid fears that inflation could bring forth interest rate hikes faster than expected. While rates near or above 2% would undoubtedly warrant damage to many higher-growth companies, investors are arguably already expecting rates to rise to such heights. You see, the market is a forward-looking indicator, and right now, investors seem to pricing in a high chance of rates in the 1.8-2% range. What if it never hits such levels? A correction to the upside could be in the cards. Market sell-offs tend to overswing to the downside. And like downside corrections, upside corrections tend to strike when signs show that negativity driving the sell-off has been overblown or even unwarranted.

In any case, investors can expect to average down their positions with stocks exhibiting extreme negative momentum, as rates can be an unpredictable beast. But is supply-chain software developer Kinaxis a better buy for investors at these depths? Or is enterprise software play Enghouse a better bargain after its more excessive decline?

Kinaxis

Kinaxis is rolling over right now, with shares of KXS plunging by another 4.3% on Monday's brutal session. Despite ongoing global supply chain issues, which bode well for demand in supply-chain management solutions, Kinaxis has been moving south because it's one of many high-multiple growth stocks on the **TSX**. With bear market territory just one bad day away, investors would be wise to punch their ticket here, as management looks to seize the opportunity at hand heading into a turbulent 2022.

The stock trades at 17.3 times sales and 13.2 times book. While that's not cheap, it's certainly not as expensive as most other fast-growing software companies out there.

Enghouse

Enghouse stock has been dragging for well over a year now. Over the past year, shares are down 27%, trailing the TSX by a country mile. The company has its fair share of baggage, but I think the bad news has been overblown after giving up a considerable chunk of the gains posted late last year.

The stock trades at 6.5 times sales, 7.0 times book value, and 33 times trailing earnings. COVID pressures can be expected to weigh for quite some time, but in due time, I do think the firm's managers can get things back on the right track. Until then, there's a nice 1.2% yield to collect while you wait for COVID headwinds to fade. With a level of support in the low-to-mid $50 range, the stock could turn around well before any evidence of such fading headwinds. That's why I'd look to get in the stock now, while pessimism and fear are the primary emotions on the Street.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)
2. TSX:KXS (Kinaxis Inc.)

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