



## 2 TSX Tech Stocks to Buy Amid a Painful Selloff

### Description

It was a long time coming, but the TSX tech stocks are finally feeling a considerable amount of [pain](#), with broader markets being dragged down in what's looking like a pretty hideous selloff.

Many beginners are now paying the price for chasing the hottest names of 2020 and 2021. By choosing the hottest of the hot, some investors can expect to get burned. With the Nasdaq plunging nearly 11% from peak to trough, and the S&P 500 down close to 7%, investors should think about some of the TSX tech and growth plays, many of which are too battered for their own good.

### What a painful selloff it's been for tech stocks

Now, rates are rising, and the Bank of Canada (BoC) is ready to hike in as little as a few weeks. Higher rates are bad news for growth stocks, especially those with just promising stories to go by.

As for the growth companies with minimal earnings? They're going to be dragged lower as well. What about the firms with plans to breakthrough into profitability in the near future? Such names are probably worth nibbling on the way down. Lastly, the profitable growth companies with modest valuations are definitely worth stashing atop your buy list as the market looks to correct or downright crash.

### Growth stocks continue sagging lower amid rate-hike fears

In this piece, we'll look at two TSX tech stocks that are worth adding to a [watchlist](#). While I have no idea if they've bottomed, I think that the negativity facing the sector is starting to become a tad overdone. Rates could rise as much as five times this year to fight off pesky inflation. That's what's troubling the markets. As rate hikes finally do strike, can the markets hold their own? Or are we in for another tantrum similar to the one experienced in late 2018?

While rates are headed higher, investors need to remember that the markets are forward looking. Indeed, investors are looking to four or five rate hikes and are acting now, ahead of time, before they

strike. That means while TSX tech and growth stocks may continue to take a beating as the rate hikes hit, I think their sensitivity to higher rates will wade off, given much of the anticipation of higher rates is already in the rear-view mirror.

Further, investors seem to be expecting the worst scenario regarding monetary policy. That could mean that many TSX tech stocks are entering oversold territory. Some may be undervalued, but it's hard to tell, unless you're willing to put in the homework.

## Top TSX tech stocks that look compelling

Consider **Constellation Software** ([TSX:CSU](#)) and **Docebo** ([TSX:DCBO](#))([NASDAQ:DCBO](#)), two very different flavours of TSX tech stock.

Constellation is a profitable grower that may have a rich multiple. The stock has been slammed, plunging around 15% from peak to trough. The firm, which invests in a wide range of software companies, has endured volatile times in the past. Almost every past correction or bear market has proven to be a tremendous buying opportunity. At \$2,000 or so per share, CSU stock seems expensive, but it's not nearly as expensive, given the premium attributes you're getting. A wonderful management team and a solid strategy will help Constellation bounce back once this tech selloff is finally over.

On the other side of the spectrum, we have Docebo, a TSX tech stock that's unfathomably expensive. Unlike Constellation, Docebo isn't wildly profitable just yet. It's a top Canadian digital transformation play in my books. Despite winning a tonne of huge clients over the past two years, investors are ditching the name, despite its profoundly powerful growth story. Investors want profits, and they want it soon.

That said, Docebo has already been punished harshly, shedding around 45% of its value. Such damage in the name makes it a top contender to bounce back once investors are finished reacting to the rate hikes that are up ahead. If three or fewer rate hikes actually happen this year, I'd look for a relief bounce in names just like Docebo. That's a big "if," though! So, do your own homework well beforehand and have a plan!

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DCBO (Docebo Inc.)

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