



## Is the Tech Stock Selloff Over? 2 Cheap Growth Stocks to Buy

### Description

The 2022 [tech stock selloff](#) began on New Year's Eve over fears that the U.S. Fed could increase interest rates. This selloff extended to its third month with rising inflation and the Russia-Ukraine war. The war has kept commodity and energy prices high and tech stock prices low. The Nasdaq 100 Composite Index and the iShares S&P/TSX Capped Information Tech Index ETF fell about 16% and 22%, respectively.

But today, tech stocks are in the green, as the Fed makes interest rate [decisions](#). Moreover, Ukraine and Russia are showing signs of new negotiation talks. Does the green in the stock market hint that tech stocks have bottomed out?

### Is the tech stock selloff over?

The tech stock [crash](#) has wiped away all the gains they made during the pandemic bubble. Names like **Shopify**, **Lightspeed Commerce**, **Dye & Durham**, and **Descartes Systems** crashed, 57%, 42%, 36%, and 18%, respectively, year to date. These stocks, except Descartes, surged more than 7% today. But the surge is temporary.

There is still uncertainty in the market. A lot of hinges on the U.S. Fed's decision and the changes it makes to the economic growth projections. Even though Russia and Ukraine are [negotiating](#), this is not the first time talks have faltered. After every attempt at negotiation, the war escalated, and sanctions increased. The global economy is walking on a thin rope. There could be permanent changes to the global supply chain and trade routes.

Hence, I would suggest waiting for the Fed's economic projections and the market's reaction to it.

### Why is the Fed interest rate decision important to Canadian tech stocks?

America is a huge market for most Canadian tech companies. Shopify has the second-largest share of the U.S. e-commerce market. Last year, Lightspeed acquired ShopKeep and Upserve to [expand](#) in the United States. Dye & Durham, and Descartes also have significant exposure to the neighbouring country.

These are difficult times, and the Fed has to make tough decisions. The United States has imposed several sanctions on Russia, disrupting its trade from many angles. Oil touched US\$125/barrel. Many companies with joint ventures and partnerships with Russia are ending their ties abruptly. Such quick changes have consequences. If the Fed increases the interest rate by 25 basis points to control inflation, there is a risk of recession.

Initially, inflation rose because of the excess money supply created from the stimulus money. But now, it is rising due to supply uncertainty from the sanctions. At such times, if the Fed increases the interest rate, it will become difficult for an average household to meet its expenses. This could impact consumer spending, and hence, industrial production. This could negatively impact economic growth and even lead to recession. Those who remember the [1970 recession](#) know how monetary policy impacts economic growth.

Wait for clarity on changes to the Fed's monetary policy before buying.

## Two absurdly cheap stocks to buy now

If you want to buy in this uncertain market, the two tech stocks below are trading at cheap prices.

### Constellation Software

Since 1995, **Constellation Software** ([TSX:CSU](#)) is acquiring software companies that offer mission-critical software to the niche market. In all these years, it has diversified across verticals and geographies, which helped it reduce risk, even in a crisis. In the 2009 crisis, its organic revenue fell 3%, while other VSS providers' revenue fell double digits.

Constellation has proven its resilience in a weak economy. It has the potential to survive the current economic weakness. The stock is currently down 9% year to date at \$2,112.

### Descartes Systems

**Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)) will be one of the key beneficiaries of the disruption in the global supply chain due to the war. Many industries now have to work out new trade routes, make new trading partners, and arrange for logistics that don't cross Russian airspace or waterways. All this needs tremendous planning. That sounds like an opportunity for Descartes's supply chain management and logistics solutions.

#### CATEGORY

1. Investing
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## TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)

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