



Why TSX Tech Stocks Rallied on Wednesday

Description

What happened?

The shares of [technology](#) companies in the **TSX** rallied sharply on Wednesday morning, leading the broader market rally. **Dye & Durham**, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), and **Lightspeed Commerce** were the top three Canadian stocks on the TSX Composite Index at the time of writing, as they were trading with at least 8% gains each. By comparison, the main Canadian market benchmark was trading with gain of well more than 200 points for the session.

So what?

The U.S. Federal Reserve will announce its much-anticipated monetary policy decisions today. Investors have been expecting the central bank to raise interest rates to fight inflationary pressures, which has been one of the reasons hurting tech investors' sentiments in recent months. Continued speculations about the pace of the monetary policy tightening could be the first reason for today's sharp rally in tech stocks ahead of the Fed's policy event. In addition, the ongoing [talks](#) about the Russia-Ukraine ceasefire seem to be adding optimism.

If you have been following the tech space for some time, you must be aware of how 2022 has proven to be horrifying for tech investors so far with the sector-wide sharp selloff. For example, the largest Canadian tech company [Shopify has seen nearly 60% value erosion](#) this year, making it the worst-performing TSX Composite component as of Tuesday's closing. That's why today's selloff comes as a big relief for tech investors, as it would trim their year-to-date losses.

Now what?

If you're a short-term investor, then today's rally might cheer you up — especially if you recently bought tech stocks. But the broader market — especially the tech sector — will likely remain highly volatile in the near term due to the ongoing [Russia-Ukraine war](#) and continued speculations about the Fed's next

moves. That's why short-term investors may want to remain cautious.

However, if you prefer to invest for the long term, there might not be a better time than now for you to consider adding high-growth tech stocks like Shopify and Lightspeed Commerce to your portfolio. In my opinion, the recent meltdown has made these are [TSX tech stocks](#) look really cheap without any major change in their long-term growth potential.

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