



## 13% Hike in 1 Week! Is the Tech Sector Poised for a Breakout?

### Description

The tech sector in Canada started falling in September 2021. The **S&P/TSX Capped IT Index** fell over 37.7% from peak to depth, and even after the sharp rise, the index is still down almost 29%. However, the sharp rise is worth considering, as it's more rapid than the fall was.

The index has risen almost 13% in one week, and though it has paused for now, this might be the beginning of a full-blown recovery. And if it starts recovering at this pace, the index might be back to its former peak in about a month — a stark contrast to a similar fall spanning over five months.

But if the sector is poised for a recovery-fueled breakout, there are three tech stocks you should look into before the discount completely wears off.

### A Constellation spinoff

**Topicus** ([TSXV:TOI](#)) is one of the six **Constellation Software** companies, which was spun off as its own publicly traded entity and has grown into one of the heaviest securities on the venture capital exchange. The relatively new stock grew at a decent pace — about 120% within nine months of its inception. The fall might not have been as impressive, but it was still quite brutal, and the stock is still trading at a 35.5% discount from its 2021 peak.

The stock *has* recovered, quite in line with [the sector](#) at large, and has risen about 14% so far. And if it starts following the sector, the discount will keep shrinking. If you buy now, it may have to potential to offer about 70% growth just by re-reaching the former peak. And if it keeps growing past that point, it may easily double your capital within the year.

### Another software company

The tech sector is home to some of the most volatile stocks there are, and it was partly the reason for the rapid rise of the sector after the pandemic and then the correction phase, of which the current fall is another iteration. This pushed the value of **Enghouse Systems** ([TSX:ENGH](#)), which is usually quite

consistent, up 100% in fewer than five months.

Currently, the stock is trading at a 26% discount from its pre-pandemic peak — [a discount](#) that you might be hard-pressed to find in the future. It has already started gaining momentum and is up over 16% from its lowest point in the year. And even though reaching the post-pandemic peak would be difficult for the stock, especially if it's resuming its pre-pandemic growth pace. But it's still a robust long-term growth holding you can buy at a discount.

## A legal and business solutions company

**Dye & Durham** ([TSX:DND](#)) is another relatively young tech stock that only started trading in July 2020. The timing was in line with the tech recovery, so the stock went up 241% before the year ended. What's even more impressive is that even though the stock went stagnant after hitting that peak, it didn't fall down too much, akin to other tech companies experiencing an overdue correction.

However, the stock did start to fall at the end of 2021 and, at its worst, fell about 44%. It's also risen the least compared to the other two on this list. It's difficult to predict how far the current recovery wave would take it and how long the growth would last (this time), but even at a conservative estimate, you might see around 70% appreciation if you buy now.

## Foolish takeaway

The three discounted [tech stocks](#) are amazing buys right now, but they might not remain so for a very long time. Even if the sector isn't on a full recovery path, the chances of these tech stocks going down again are quite low. So, the smart thing to do would be to take advantage of the discount when it's ripe.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSXV:TOI (Topicus.Com Inc.)

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