



1 Canadian Stock to Buy for a Short-Term Gain

Description

Many readers have been apprehensive about **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)). I don't blame them. Shares have lost more than 80% of their value after surging 1,000% during COVID times. Many regretted not booking profits in September 2021. But now is the time to make some short-term gains from this stock, as it enjoys strong trading volumes and high volatility (beta of 3.2). If you doubt that traders are [shorting the stock](#), don't worry. It had a lower short interest of less than 7% as of [May 15](#).

Now, you may wonder how to make money from Lightspeed share in the short term if it is not in a short squeeze.

Lightspeed stock's short-term momentum

Lightspeed stock is sensitive to the macro-economic environment, as rising inflation and looming recession is impacting consumer spending. The Fed is hiking interest rates, which has made investors less risk averse. They are booking profits on risky assets and investing in fixed-income securities. However, short-term traders have found an opportunity in Lightspeed stock's volatility and momentum.

The share witnessed three waves of dip and rally in the last five months. There was a trend in these three cycles. The dip lasted for 20-40 days, during which the stock price fell between 25% and 50%. In all three dips, the stock was oversold, with a Relative Strength Index (RSI) of 30 and lower.

Every dip occurred in and around the Fed interest rate hike and economists' warning of a recession. And more rate hikes are coming, as the Fed intends to raise interest rates by 2.5% by 2023. This means more such dips could come for Lightspeed shares.

Now that you understand the dip trend, it is time to look at the rally. The market is [bearish](#) overall. So, do not expect a high-risk growth stock like Lightspeed to return to the level before the dip. After staying at an RSI of below 30 for a few days, the stock sees a steep rise of 27-60% in fewer than 10 days. However, the last rally lasted longer. In these rallies, the RSI grows to 60 but not beyond 65.

How to make money on Lightspeed stock in the short term

I support holding Lightspeed stock for a longer term, as it could see a significant recovery as economic conditions improve. But you can make a 25-30% gain in the short term, provided the volatility continues.

Lightspeed stock is currently trading at its short-term peak of \$32.96 with an RSI of 60. This means a market pullback could pull the stock down 25-35% below \$25. If the RSI is 30 at the \$25 price point, it is a good time to buy Lightspeed stock. You can do a phased buying. For instance, if you are to invest \$1,000 in Lightspeed, divide it into four lots of \$250 each. Buy the first lot at \$25, and if the stock falls further, buy another lot at \$23, and another at \$20. Make sure the RSI is 30 or below.

Then wait for the stock to rally above \$30. If the RSI hits 60 at the \$30 price, book a profit of over 20%. Here again, you can make a phased sale at \$31, \$33, and \$35 prices. Keep the last lot for the long term, as the stock could give you double-digit growth in three to five years.

The value

Lightspeed's stock is trading at 6.4 times its sales per share — a significant discount for a growth stock in a normal economic environment. The current economic weakness is measuring growth stocks on their earnings potential, as investors' appetite to hold loss-making companies has reduced.

Yes, Lightspeed has been making losses since its inception, as it focused on scaling the business. But now, the management's focus has shifted to profit. For the first time, the management [stated](#) that it looks to reach adjusted EBITDA break even by March 31, 2024, while maintaining a 35-40% organic revenue growth. That makes it a stock to hold on to in its troubled times.

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