Can Tech Stocks Turn a Corner in 2023?

Description

Tech stocks have been a tough place to be this year. As we head into 2023, some may have what it takes to gain the most from a tech turnaround. With rates ascending, it's still risky to go bottom fishing, unless you've done the homework. With so much negative momentum behind tech and growth stocks, it seems like a better idea to wait until after a rally sets in.

Catching a falling knife is dangerous. But chasing gains after a bottom may also accompany downside risks. In any case, investors should ensure they're only investing what they're willing to part with, as tech struggles to find its footing while layoffs and other cost cuts spread across the industry.

The road ahead for 2023

At this juncture, many market strategists see a steep slide in the first half of 2023, followed by some relief into year's end. Undoubtedly, it seems wise to take the advice of various bearish market strategists. However, in doing so, one could miss out on sustained gains if a Santa rally comes to town and a 2023 correction is nowhere in sight. The market strategists calling for it could re-adjust their market targets to the upside, and you'll have to pay higher prices to get back into the stocks you wrongfully dumped.

Sure, it can make you uneasy to stay invested as smart pundits cry wolf. However, nobody can time the markets consistently over the long run — not even the smartest minds on Wall Street. In the long run, you don't need to time the exogenous macro events that are impossible to call accurately.

Focus on valuing companies and holding onto them for the long run. Not moving in and out of stocks with the expectation of scoring a quick profit. Trading and investing for the long run are two different beasts.

Indeed, hard-hit tech could continue to be punished in 2023. However, I think those with cash on the sidelines can do well by nibbling at the dips. Eventually, tech will turn. And when it does, the gains could be sizeable.

Shopify and Docebo stocks could be ready to rally in 2023

Consider **Shopify** (TSX:SHOP) and **Docebo** (TSX:DCBO), two fallen Canadian tech stocks that fell around 80% and 70%, respectively, from peak to trough. Shares have begun to inch higher over the past few weeks, causing some to question if the worst is over for the fallen innovators.

Shopify is an e-commerce behemoth that many Canadians have at the core of their Tax-Free Savings Account and Registered Retirement Savings Plan portfolios. As the company pivots into fulfillment while going bargain hunting in mergers and acquisitions, a case could be made that Shopify will be ready to rocket once the recession ends.

Whether the stock can climb all the way back to its highs (that'd entail doubling up many times over) remains to be seen. Regardless, SHOP stock isn't that expensive at 10.4 times price to sales, especially now that the name is generating some positive momentum, with around 64% in gains off its recent lows.

Similarly, Docebo stock could be at a turning point. The learning management system software play is still winning clients. At over 300 times trailing price to earnings, though, it has room to improve its profitability. In a higher-rate world, investors seem unwilling to step in. If rates peak and decline, though, Docebo stock could rally with fury.

Bottom line

Shopify and Docebo stock are fallen innovators that boast impressive products. With so much damage baked in, I think long-term investors are getting a solid risk/reward scenario right here.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)
2. TSX:SHOP (Shopify Inc.)

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1. Business Insider
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