

Use Crisis as Opportunity in These 3 Gig Economy Stocks

Traders may want to buy the weakness in Uber and Lyft.

Late last week, "Alameda County Superior Court Judge Frank Roesch wrote in a ruling late Friday that Proposition 22 is unconstitutional as 'it limits the power of a future Legislature to define app-based drivers as workers subject to workers' compensation law,'" as noted by CNBC.

While that was initially bad news for gig economy stocks, like Uber and Lyft, markets seem to be shrugging it off.

For one, according to The Wall Street Journal, "The companies don't need to immediately change their way of doing business, but Friday's ruling adds a wrinkle in their efforts to preserve their independent-worker models and serves as a setback in their years-long fight against the California law at the heart of the ruling."

Two, analysts are bullish.

Mizuho analyst James Lee says the appeal process could take up to a year. He also says Prop 22 will remain in effect, leaving drivers are independent contractors.

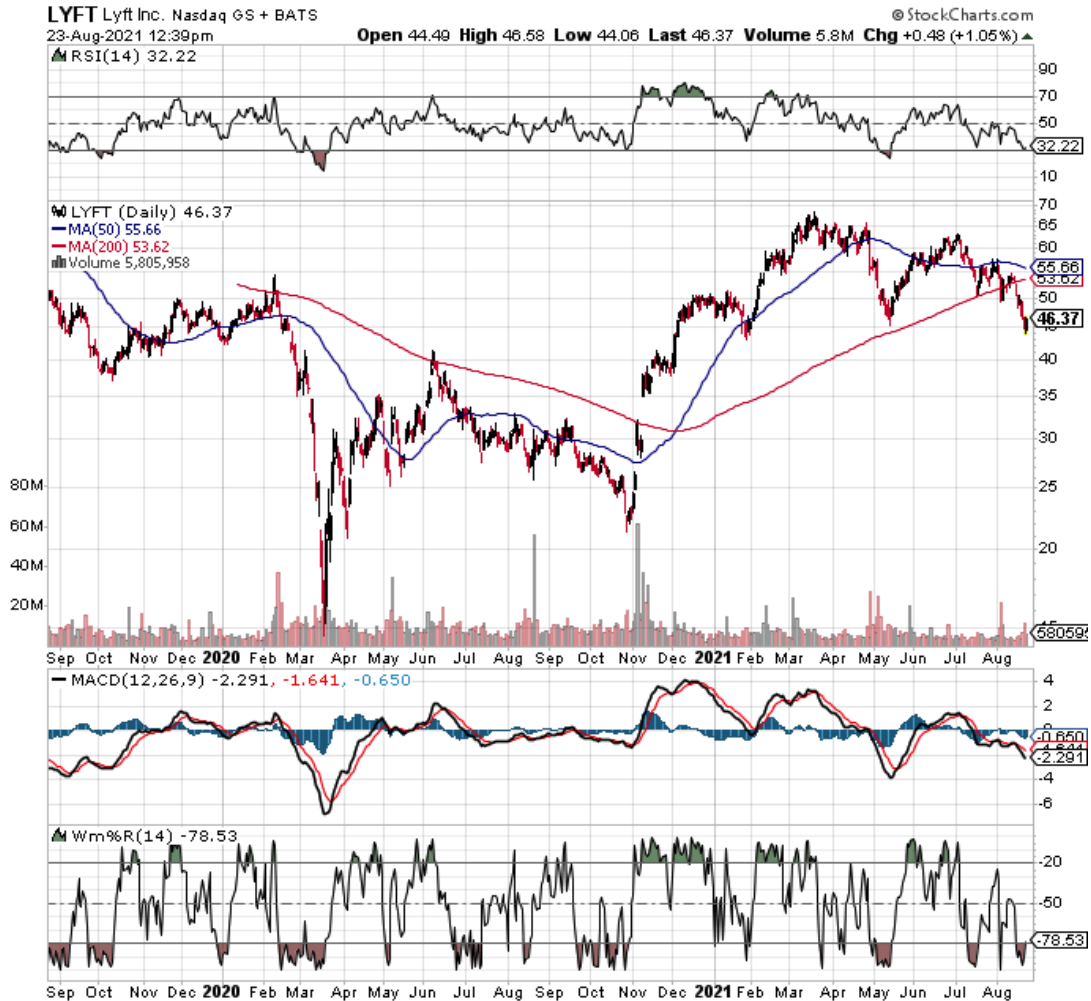
In fact, as noted by Street Insider:

"Lee expects the Prop 22 group to have a strong appeal case and a 'high' win probability. 'This is a somewhat surprising move since there is no precedent of this nature in the history of California's ballot initiatives. As a reminder, Prop 22 passed last year with nearly 60% of Californians voting in favor of the measure. The measure was supported by almost 120,000 drivers and a diverse coalition of more than 140 groups including social justice, senior, community, business, veterans, and many others.'"

In addition, Bank of America's Justin Post reiterated a buy rating, noting, "With Prop 22 winning in the 2020 election by a wide margin (59%/41%) and legal challenges to ballot initiatives in CA being fairly common, we expect many investors to see a solid basis for winning an appeal," as quoted by Street Insider.

Three, Uber and Lyft are excessively oversold.

Look at Lyft for example. At the moment, LYFT trades at triple bottom support. In addition, RSI, MACD, and Williams' %R are all deep in oversold territory. With patience, we'd like to see LYFT back to \$60, near-term.



Uber is at double bottom support, with RSI, MACD, and Williams' %R in oversold territory. We'd like to see UBER back to \$51, near-term.

Or you can use weakness in gig economy ETF, SoFi Gig Economy (GIGE), which holds positions in Shopify, Square, Twitter, Upwork Inc., 2U Inc., Fiverr International, and PayPal Holdings.

According to the SoFi Fact Sheet, "The SoFi Gig Economy ETF seeks long-term capital appreciation by providing exposure to companies involved in the revolutionary shift towards a "gig" economy – a free-market system comprised of freelancers and shared resources, such as transport and real estate."

Again, we'd use weakness as an opportunity.