A Top Stock in a Market Melt-Up

Description

The economy has ground to a slowdown, but despite this, the stock market has continued to soar to new all-time highs.

That's because the market is forward-looking. The October-December sell-off was in response to the economic slowdown, but the violent downward moves were exacerbated by the hawkish Fed, and the close-to-inverting yield curve which scared many investors out the markets because it did seem like "the big one" was coming and that a recession was inevitable.

Some thought it would be a "man-made" apocalypse, but fast-forward to today and the tides have turned. The Fed is off our back, the bar is set low, and with a potential year-end re-acceleration in the cards, investors could become as bullish as they were in 2017.

Indeed, we've witnessed investors piling back into stocks in droves over the last quarter, and now that the Canadian and American indices have broken all-time highs, terms like "FOMO" and "market melt-up" are probably going to be buzzwords in the financial media again as they were in early 2018, when the markets when parabolic shortly before correcting sharply.

Unlike the last melt-up, which didn't end well, I think the stage is set for a sustainable rally higher, but of course, there's a risk that it could be overdone, so investors shouldn't be afraid to take profits as they come.

Short-sellers have been feeling the squeeze of late, and with slower earnings guidance now in expected from most companies, it does feel like the stage has been set nicely for stocks. Perfection isn't expected, valuations still aren't out-of-this-world, and the bears are running scared.

So, if you're looking to bet on a potential "market melt-up," look to **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS). Just make sure not to be too sanguine as you buy this high!

If you're betting on a melt-up, you're naturally going to want to gravitate toward growth stocks, which are the sexiest plays when the stock market becomes a sexy place to invest again. When it comes to Canadian growth stocks, the Goose is now a reasonably priced stock compared to similar companies with the same calibre of growth potential.

At over 84 times trailing earnings, Canada Goose will experience significant ups and downs, however, so don't bet the farm on the company even if you think the markets are going to melt-up because other variables could dictate the trajectory of the stock, most notably the China situation.

China and Canada aren't exactly on the best of terms right now with the Huawei fiasco playing out in the background. Should a full-blown trade war come to be between Canada and China over the matter, Canada Goose's Chinese expansion could grind to an unexpected halt.

I don't believe that such a dire trade situation will pan out, however, but there's always the risk. Even if worst came to worst, CEO Dani Reiss will have another trick up his sleeves. The man has turned his family business into one of the hottest luxury brands on the planet, and with many years of double-digit growth left in the tank thanks to a wealth of untapped markets, Canada Goose has plenty of room to soar over the long-haul.

When growth stocks become great again, expect Canada Goose stock to make up for lost time. With top and bottom-line growth in the mid-30 percentage levels, the Goose isn't ready to slow down. When you factor in the trifecta distribution channel (e-commerce, brick-and-mortar, wholesale) and the expansion into other seasonal items, it becomes easier to see that the Goose is still in the very early innings of what could be an incredible growth story for the ages.

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