2 Stocks to Buy During the Correction

Description

If you're not prepared for the next correction, get ready. Throughout history, sudden market-wide declines happened when investors least expected.

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It's important to structure your assets not only to weather the storm, but also to take advantage of any bargains that appear. You may only have a few months, or even a few weeks, to snap up deals of the decade.

Buying on a huge dip has its risks. In many cases, quality companies go bankrupt due to a concept called *reflexivity*. George Soros, one of the most successful investors over the last century, is a huge proponent of the concept.

In a nutshell, reflexivity is what happens when stocks get caught in a feedback loop. For example, if investors lose faith in a company, they may sell down the corporate debt.

This raises financing costs, hindering profits, causing investors to lose even more faith. On and on the cycle goes until the company goes belly-up.

So, corrections can give you stock deals of a lifetime, but supposed "bargains" can end up in feedback loops that ruin any chance of making a profit.

How do you capitalize without risking your portfolio in the process? If you want to make the most of the next stock market correction, these two companies should be at the top of your list.

Patience pays off

Shopify Inc (TSX:SHOP)(NYSE:SHOP) is one of the greatest companies in the world today. It's tapping one of the largest markets on the planet (e-commerce) with a commanding market share that grows every quarter.

By creating a platform for entrepreneurs and businesses to set up a beautiful web presence in minutes, Shopify has entrenched itself into corporate and consumer behaviours. Once a Shopify store scales, it's incredibly difficult to shift to another platform.

That allows Shopify to take a small fee from every purchase into perpetuity. It's an asset-light business that throws off a ton of cash. Over the last three years, sales have grown by 70% annually.

What's not to like? Due to its success, Shopify is one of the most expensive stocks on the market, trading at 25 times forward sales. For comparison, **Apple Inc.** trades at less than four times forward sales.

High-growth companies with lofty multiples are often crushed during a correction. Shopify would be an incredible bargain if shares fell. The rise of e-commerce should persist for decades despite any single bear market occurrence.

Tap into global growth

Canada Goose Holdings Inc (TSX:GOOS)(NYSE:GOOS) has a huge growth opportunity with 20 or more years to run. If a correction hits, it would undoubtedly be an opportune time to scoop up shares.

Over the last five years, the high-end apparel maker has increased sales by 40% annually. Net income has grown at an even faster clip. Long term, management anticipates revenues and profits to grow by "at least" 20% per year, as the company faces huge demand in under-penetrated markets like Japan, South Korea, and China.

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But as with any other high-growth stock, Canada Goose shares are expensive, priced at 35 times forward earnings, which is close to a 100% premium versus the market. Even with the pricey multiple, I've argued that Canada Goose shares could double at *current* prices.

If the stock prices slides, the bet gets even easier to make. This stock is at the very top of my watch list if equities come under fire.

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2. NYSE:SHOP (Shopify Inc.)
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