TFSA Growth: A White-Hot Growth Stock to Buy Before the Growth-to-Value Rotation Reverses!

Description

The **S&P 500** soared last Friday on a partial deal reached between the U.S. and China. To the frustration of Canadians, the **TSX Index** ended the day slightly in the red on the positive news.

Indeed, the phase-one trade deal was unexpected and showed that the biggest risk to investors is being caught *out* of the market amid surging uncertainties, as I've noted in many prior pieces. The most remarkable takeaway from the wild trading session was the reversal of the growth-to-value rotation we've witnessed in recent months.

Consumer staples, defensive dividend stocks, and utilities took a considerable amount of damage as more cyclical, growthier names surged. The move brings up a natural question: Could this de-escalation of tensions between the U.S. and China be the start of a movement back into growth stocks? Or will value stocks reign supreme with trade talks going no further than one phase?

It's impossible to tell at this juncture. But one thing is for sure: the recent sell-off in growth stocks, especially those with Chinese exposure, may have been overextended and could be ripe for rebounding, as sentiment takes a turn based on the partial trade deal that's to be inked soon, with tariff hikes planned for Tuesday that are now off the table.

Here in Canada, the reaction from the phase-one deal has been rather muted, and I think that's an opportunity for investors to double down on TSX-traded stocks that rely on China for growth. Think names like **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS), whose shares have been clobbered 45% on rising trade tensions with China over the past year.

The announcement of the phase-one deal caused Canada Goose to rally 2.4%, which is modest compared to the damage that's already been done to the stock.

While tensions may still be high between Canada and China, with the possibility of a boycott of Canadian brand names like Canada Goose in response to the arrest of Huawei CFO Meng Wanzhouin Vancouver, I think such a boycott would be short-lived if it ever does come to fruition.

A profound amount of wealth is being passed down to the younger generations in China. The middle class is booming, and that's caused the appetite for foreign luxury brands to increase substantially.

Over the next decade, China is likely to become the top importer of Canada Goose products, and the recent easing of trade fears between the U.S. and China is a positive for Canada-China relations, as many headlines have brought up the possibility that Wanzhou is being used as a bargaining chip in the U.S.-China trade war.

In any case, a combination of a slowing economy and growth hurdles in China are already well baked into the stock at this juncture. Canada Goose is doing a lot of things right at the company-specific level and is at the mercy of exogenous factors right now. In time, the tides will turn back in its favour, and once they do, Canada Goose stock will fly high again.

While there's no telling when the Goose will get its wings back, I think the risk/reward trade-off looks attractive for those willing to hold the stock for at least five years. A recession could pummel the stock further, but when the bull inevitably gets its legs back, Canada Goose could soar very quickly.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/27
Date Created
2019/10/14
Author
joefrenette