



TFSA Investors: This Canadian Growth Stock Just Hit a Massive Buy Signal!

Description

Like a solar eclipse, sometimes you need all the right variables to line up before a stock becomes something worthy of backing up the truck on with your TFSA. In the case of former growth darling **Canada Goose** ([TSX:GOOS](#))([NYSE:GOOS](#)), several highly favourable variables seem to suggest that the stock is a very timely bet on its recent downfall.

First, shares of the luxury outerwear maker are close to the cheapest they've been in recent memory.

At the time of writing, shares trade at just 15.3 times next year's expected earnings, and 5.2 times sales. For a company that's probably still in the very early innings of its growth story, shares seem too cheap to ignore after the likely overblown decline.

The stock just touched down with 52-week lows and is now down nearly 55% from its highs reached in November 2018. As a highly cyclical consumer discretionary, such a violent decline is to be expected, especially after the wave of [negative exogenous issues](#) that have plagued the company, which had otherwise been firing on all cylinders.

Second, the long-term fundamental growth thesis is still very much intact.

Canada Goose may be a Canadian company, but I like to see it as a derivative for the growth of China's rapidly expanding market. A huge chunk of the Goose's growth story depends on a thriving Chinese economy, and any time China faces a bit of pressure, Canada Goose is one of those TSX-traded companies that can be expected to fall drastically.

The Chinese economy continues to show signs of weakness of late, and that's a significant reason why the Goose has continued to fall further into its tailspin. While China may be poised to experience a deceleration to its growth rate over the intermediate term, in the grander scheme of things, China remains one of "growthiest" countries going into the next decade, and when it comes time to make a comeback, Canada Goose will, once again, fly high for investors.

Third, Canada Goose stock looks technically pristine, as shares are flirting with a reasonably strong support level at around \$44.

While shares of the Goose are currently sitting just below the mark, it's important to remember that such technical support levels ought to be seen as more like a memory foam mattress with some give and less like a rigid board that deflects a stock immediately after contact.

Only time will tell if Canada Goose stock will hold above support, but given the longer-term fundamentals are still intact and the stock is cheap relative to its expected growth rate and historical average valuations, I'd say the Goose is one of the timeliest growth bets on the TSX today.

There's a considerable amount of negative momentum here, but if you've got an investment horizon that spans multiple years, and not just a few months, the risk/reward trade-off to be had here makes sense for growth and value investors alike.

The perfect storm may have hit the Goose, and while it's hard to pull the trigger given the negative momentum, it seems worthwhile to hold your nose and buy it for your TFSA given the [magnitude of gains](#) to be had in a turnaround scenario.

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Date

2025/07/06

Date Created

2020/01/31

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