



1 Top Stock I'd Buy When the Next Market Crash Comes

Description

It will not be surprising if the markets come under [extreme selling pressure](#) after a remarkable bull run. A rule of nature is that what goes up must come down. And that rule also applies to all markets. But the biggest challenge for those who regularly invest is how to identify the early signs of a market crash.

In the aftermath of the Coronavirus outbreak in China and its spread globally, some analysts have started to raise the possibility of a market correction. They think that this global health emergency will disrupt manufacturing, force consumers to curb their spending, and ultimately lower companies' profitability.

With that uncertainty, some other signals are also flashing red. For example, too much money is chasing a few growth stocks that have been responsible to fuel the current market rally. Year to date, just 10 stocks, mostly the large-cap technology companies, account for 68% of the S&P 500 gains, according to **Citigroup's** global strategist Robert Buckland.

According to Buckland, the continued outperformance by more highly rated growth stocks has fragmented the typical distribution of market returns, as the market leadership continues to narrow.

That being said, falling stock prices shouldn't cause panic for smart investors. Corrections in the market are usual, and they represent buying opportunities for those who know the art of identifying good stocks when their prices fall.

A top stock from Canada

The Canadian e-commerce platform provider **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is one top stock in my list that I plan to buy if its price falls. The stock has surged 200% in the past 12 months and 35% in the first seven weeks of trading this year. At this price, Shopify's market capitalization is touching \$81 billion, making it one of the most valuable companies in Canada.

Shopify helps businesses open their own digital stores across multiple channels, including social media, through its platform. Many of these merchants are small- and medium-sized businesses, but some are big retailers as well, including **BBC**, **Gatorade**, and **Gund**. Shopify is also expanding fast globally, as it serves customers in different languages and currencies.

This price acceleration has been so fast and furious that Shopify stock's current value, \$692, is more than three times higher than what analysts see the stock trading at in the next 12 months. This kind of growth makes this top stock vulnerable to a downfall, as investors shun the growth stocks when the tide turns.

But when you look at the factors that are fuelling gains in [Shopify's stock price](#), it's hard to relate the company with an asset price bubble. Last week, Shopify reported fourth-quarter revenue that topped analysts' estimates, helped by holiday shopping and add-on services such as payment and marketing tools.

Revenue for the quarter surged by 47% to US\$505.2 million. The company also swung to a profit in the fourth quarter, producing \$771 million compared with a loss of \$1.5 billion a year earlier. For 2020, Shopify said it sees revenue of \$2.13 billion to \$2.16 billion, compared with analysts' projection for \$2.12 billion.

Bottom line

Shopify stock will fall when investors decide to move their assets to safer avenues. But the company is well positioned to grow and justify its stock valuations. Any major slump in this stock should be taken as a buying opportunity.

CATEGORY

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2. Tech Stocks

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