Market Rally: Time to Buy Growth Stocks

Description

TSX stocks have been on a wild ride these past few weeks. The recent market rally is leaving investors to wonder if the crash is already over. If it does end soon, many of the discounts in some of the top TSX stocks will soon be gone.

This means investors may have limited time in buying these wonderful stocks at prices you won't get for another few years.

So what stocks should we focus on buying?

Since the start of the bear market, most investors have gone defensive. When stocks initially started to fall, investors feared the worst, leading investors to buy up the most defensive names first. Businesses such as utilities and consumer staples were among the best performers as stocks were crashing.

Those stocks have continued to do well as the market turned around and began its rally. However, big blue chips soon followed suit. This is not surprising either given that a lot of these businesses are so big and integral in our economy.

Today, however, the stocks I think investors should be focused on buying are growth stocks.

Growth stocks in a market rally

Not only can you still find some pretty significant discounts in growth stocks today, but as the market begins its rally, these stocks should be some of the best performers.

During good times, growth stocks are some of the best performers because their valuation multiples get bid up considerably.

However, in market crashes, they tend to fall faster than most other stocks because in addition to the market risk these stocks have, when there is no optimism, valuation multiples come down significantly.

Today, a lot of those growth stocks are still priced for a recession. They are cheap even though many of the other core blue-chip stocks in the market have been rallying.

A significant opportunity ahead of a market rally

The pricing discrepancies creates a significant opportunity for growth investors. And if the selloff gets worse before it gets better, these stocks could become extremely cheap.

One top TSX growth stock to consider ahead of a market rally is **CAE Inc** (TSX:CAE)(NYSE:CAE).

CAE is a business that provides simulation services in the aviation defence and healthcare sectors. The company operates worldwide and is regarded as one of the best, giving it a significant competitive advantage.

The simulation services it provides to the aviation industry made up nearly 60% of its business in 2019. COVID-19 has had an impact on some of these services. However, other services — such as training to uphold certifications — remains essential.

Furthermore, in its defence segment, the business has been minimally impacted. This is significant because defence revenue made up nearly 40% of CAE's sales in 2019.

Its last segment, healthcare, accounted for just 4% of revenue in fiscal 2019, albeit that could increase substantially in 2020. CAE just got approval from Health Canada to begin building ventilators. Plus, it's also providing training for healthcare professionals surrounding the use of ventilators.

The stock is well positioned financially and has even suspended its dividend temporarily to shore up cash.

At a discount of more than 50% from its highs, it's ready for a significant breakout when the market finally does rally.

Bottom line

Growth stocks will be some of the fastest appreciating stocks when sentiment returns and there's a major market rally. There are several attractive growth stocks to consider today, but CAE is one of the best.

There's no telling when this market rally may come to fruition, but when it inevitably does, growth investors will be most rewarded.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)

2. TSX:CAE (CAE Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing

Date
2025/07/01
Date Created
2020/04/22
Author
danieldacosta