Watch List: 6 Stocks to Buy in July

Description

Investors seem to have priced-in a recession, which explains why the markets rebounded so fast after the March sell-off. But the market has also priced in a recovery. Investors have assumed that a recovery will happen and are buying accordingly. But this is a dangerous state of affairs. First of all, if there really *is* a full economic recovery, the markets might not move very much.

Second, a market with a baked-in recovery is highly vulnerable to shock. Equities can absorb bad news. To a certain extent, *all* news is bad news. But the markets don't cope quite so well with shock. Early earnings reports this year saw a few industries managing to capitalize on the pandemic. So-called "stay at home" stocks that supported working from home saw steep gains, for instance.

A year of new stock trends

The rest of the year might not be so rosy. Retailers that saw an increase in online shopping likely will not be able to replicate this early win. Consumers have already settled into the "new normal," meaning that any early momentum from industrial disruption has likely evaporated.

It might be difficult, for instance, for **Shopify** to replicate the quarterly boost it received when the quarantine first came into effect.

That said, a few trends could be with us for the longer term. Changes to the way we live that could prove longer-lasting include renewables growth, logistics streamlining, and the digitalization of workplaces. While early steep growth may be behind us, stocks like Shopify, **Kinaxis**, **Loblaw**, and **Alimentation Couche-Tard** are likely to continue being defensively profitable deep into the decade. These are key names to watch for a dip.

With great disruption comes great risk

Other names could see a pullback and are top stocks to add to a watch list. **Franco-Nevada** has been galloping ahead. It's worthy of a long position, but value investors may want to watch for a dip.

Likewise, **Docebo** is reaching new highs, making it a wish-list name to snap up on a pullback. This name shows little sign of letting up, though, having gained almost 20% in just five days at the time of writing.

There is a marked decrease in responsibility in the markets, however. Anybody watching the rise of zero-commission platforms such as Robinhood will know that there are a lot of questionable trades being made at the moment.

Meanwhile, unemployment is rocketing and casinos are closed, creating two distinct types of money vacuum. Risk is ratcheting and U.S. and Canadian stock markets are simply not reflecting our economies.

One of the benefits, though – as well as the great dangers – of a sell-off is that investors tend to dump everything when the market gets spooked. This means that a lot of proverbial babies are going to get thrown out with the bathwater.

Investors should, therefore, begin drawing up a wish list of richly valued stocks while laying aside cash. Value opportunities in quality stocks are on the way. Investors simply need to figure out where to wait.

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