2 Great Canadian Stocks to Buy During a Market Plunge

Description

The stock market took a turn for the worst on Thursday, with the tech-heavy Nasdaq 100 plunging over 3%, while the **S&P 500** and **TSX Index** took a modest breather, dipping 1.5% and 0.8%, respectively. The U.S. Federal Reserve still isn't thinking about thinking about raising interest rates. Fed chair Jerome Powell isn't ready to hike rates until 2024. The markets initially reacted quite positively until the bond market continued pulling back, causing the 10-year U.S. Treasury note to swell past 1.7%.

As you're now probably well aware, higher bond yields (and inflation) will bring forth the most pain to the growthy Canadian stocks reliant on profits that are far in the future. Distant profits factored into valuations warranted a correction in the Nasdaq. But as bond yields continue their ascent, I wouldn't feel the need to overreact to the situation.

The odds are that this tech and growth market plunge is closer to the bottom than the top. As such, I'd look to play both sides of the coin by scooping up battered high-growth Canadian stocks while also hedging against a further appreciation in the 10-year yield.

Forget bond yields — buy great Canadian stocks that you view as undervalued!

Personally, I don't have an opinion on where bond yields are headed next. There are too many variables to place a yield target on the 10-year. I think the odds of a pullback in bond yields are as equal as a continued appreciation, as inflation jitters seem mostly factored in at this juncture.

In this piece, we'll have a look at two great Canadian stocks that you should look to buy as the markets wane and the Nasdaq 100 falls farther into correction territory. The first Canadian stock is a beaten-down tech titan with V-shaped bounce back potential as bond yields either stabilize or pullback. And the latter is a deep-value Canadian stock that can hold its own, even as bond yields continue climbing.

Shopify

Canada's e-commerce growth kingpin **Shopify** (TSX:SHOP)(NYSE:SHOP) was under considerable pressure again on Thursday, with shares losing nearly 4% of their value in a continuation of the growth market plunge. Shopify stock finds itself down 25% from its highs, and I think bargain hunters ought to think about nibbling on the Canadian tech stock on the dip, which, I believe, should hold up at its $1,350 level of support.

Tobias Lütke is a genius, and Shopify's growth story is far from over. Even as pandemic tailwinds fade and Mr. Market turns his back against growthier Canadian stocks, I still think Shopify is more than able to defy the odds by continuing to roar higher, as it looks to go after a still underpenetrated market.

The stock is anything but cheap here, but if you're light on growth, heavy on cash and are hungry for a bargain, Shopify stock is a buy at just south of 50x sales and ~25% off.

A Canadian stock to hedge against a market plunge

Fortis (TSX:FTS)(NYSE:FTS) is my favourite bond proxy. While the regulated utility is considered a "risky" investment, I think investors ought to start thinking about the name as some sort of bond replacement. Bonds make little sense to own in this era of low rates. You'll get a negative real return, so it's worth it to make the move into a company like Fortis that can provide the perfect mix of stability and income.

The dividend isn't guaranteed like a bond coupon is. But let's face it. It's the closest thing to a guarantee you'll find. And it's far less risky than a longer-duration bond and far more profitable. Fortis' near-4% yield will grow at a mid-single-digit annualized rate, and the rock-solid operating cash flow streams and capital plan will keep such stable growth going, regardless of what ends up happening next.

So, if you're fed up with low bond yields or are worried about a growth market plunge, Fortis stock, I believe, is a must hold for the long-term.

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