



Top 2 Canadian Stocks to Buy on the Dip

Description

Recently, the buy-the-dip hashtag was trending on **Twitter**. I noted that many people were getting impatient with the dip. Some even tweeted that they bought the dip and the stock dipped further. I want to break the notion that buying the dip is a short-term strategy. Remember, the stock market moves on human emotions. Fear is a more powerful emotion than greed. Hence, the stock dips at a faster rate but rallies gradually. So, buying the dip is a longer-term strategy.

How the buy-the-dip strategy works

In the world of derivatives trading, when you buy the dip, you long the stock. The term *long* was coined because you take the delivery of the stock and hold it as you are optimistic about the company's future growth potential. Now, when I say *long term*, it doesn't mean a few months. In fact, even one year is considered short term. If you invest in a growth stock, you should give it two to three years to see some significant gain.

Look at it this way. When you have a business, you get funding to grow your operations. You will improve your product, market it, get customers, and lose customers. You will rework your product based on customer feedback and your learning from what retained and lost customers. This continuous improvement will grow your business. Despite being a trillion-dollar company, Google keeps altering its design and offerings. If it stops improving, it will decay.

Had investors bought Google stock at the March 2020 dip of US\$1,160 and sold it at US\$1,210 in April 2020, they would have made \$50 in less than a month but lost the opportunity to make \$884 in a year. Any billionaire investor made their fortune by staying invested in a profitable business that keeps improving.

Two stocks to consider for the buy-the-dip strategy

Lightspeed POS ([TSX:LSPD](#))([NYSE:LSPD](#)) was the best-performing stock of 2020, surging sevenfold from its March 2020 dip. If you followed the buy-the-dip strategy a year back, the stock would have

converted \$1,000 to as much as \$3,000.

The stock is once again falling. It is down 15% from mid-March, as the overall market is seeing a [pullback](#). The March quarter is a seasonally weak quarter for this retail and hospitality omnichannel platform. The company is tapping the pandemic trend of social distancing. It is offering online ordering, digital payments, and curbside pickup facilities to help retailers and restaurants operate, even in the lockdown.

Lightspeed caters to small- and medium-sized businesses, and the quickest way to consolidate this fragmented market is through acquisitions. The company is acquiring other omnichannel platforms in different geographies, catering to similar or different verticals. Lightspeed is [growing its revenue](#) at an average rate of 55%. It continues to improve its platform and tap the next revenue growth opportunity.

Apart from acquisitions, it is looking to increase its average revenue per share by growing the adoption of Lightspeed Payments, Supplier Network, and Lightspeed Capital. Such stock has long-term growth potential. Hence, you should buy the dip (below \$80) and hold it for at least two years in your Tax-Free Savings Account (TFSA).

Magna International

Magna International ([TSX:MG](#))([NYSE:MGA](#)) has corrected 5.8% since mid-March after its biggest rally (87%) in five years between September 2020 and February 2021. If you followed the buy-the-dip strategy in September, the stock would have converted \$1,000 to as much as \$1,870. This rally came on the back of the automotive supplier and third-party contract manufacturer's move to electric vehicle (EV).

The overall automotive market is slowing, but the EV segment is outperforming. Magna tapped this growth segment and partnered with several tech and automotive companies on their EV projects. It will start seeing growth from EVs towards the end of this year or in the next year. By that time, it would be too late to buy the stock.

Final thoughts

The two stocks will keep improving and tapping the next growth opportunity, driving their stock price in the long term.

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TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:MGA (Magna International Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:MG (Magna International Inc.)

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