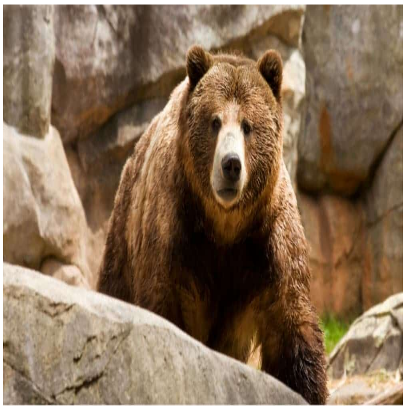

2 Must-Buy Canadian Stocks in a Bear Market

Description

Bear markets (a drop of at least 20%) can be pretty scary for investors. It's more than just a correction. It could signal something is fundamentally wrong with the firm, inspiring investors to re-evaluate their investment theses. While distressed stocks may oftentimes signal a deterioration of the underlying fundamentals or a worsening macro or industry backdrop, sometimes, a bear market moment in a stock has little or nothing to do with the fundamentals.

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In certain instances, all that may have changed with a name that's down 20% or more is its price. And if the fundamentals still hold up, investors should look to back up the truck before the stock.

The return of growth?

Cathie Wood of ARK Invest is pounding the table on growth. Despite the inflationary jitters and action in the 10-year note, Wood firmly believes that all that's changed with many of the high-growth stocks out there is the price.

"The rotation back to growth is probably close at hand," said Wood during her webinar with ARK shareholders.

Is she oversimplifying things? Or are beaten-down growth gems about to explode higher after their multi-month breather? I'm not so sure. But I don't think investors should ignore the growth trade for value now that the growth-to-value rotation has already panned out. There could be far more money to be made by acting as a contrarian and betting on the type of reverse rotation Wood foresees happening over the near term.

In this piece, we'll have a look at two high-growth Canadian stocks in a bear market that could be best positioned to bounce back in a sudden growth rotation.

Consider **Kinaxis** (TSX:KXS), down 33% from its high, and **Jamieson Wellness** (TSX:JWEL), down 20% from its high, if you're looking for growth to make a comeback in the second half.

Kinaxis

Last year, supply chains around the world were in turmoil. Now that demand is overwhelming supply, the right balance has still yet to be struck a year and a half later. With a post-pandemic hangover already baked into shares of Kinaxis, I think investors would be wise to back up the truck on the name, as demand for its flagship product RapidResponse continues to hold strong well into the post-COVID environment.

Like most other pandemic winners, I suspect Kinaxis has a good chance to build on the progress it made in 2020. Kinaxis stock also happens to be one of the cheapest Software-as-a-Service companies out there at just 13 times sales. As the growth trade heats up again, expect Kinaxis stock to blast off once again. On Thursday, shares were up 5.3% on the back of lower rates. I think the daily bounce could be the start of a sustained rally to much higher levels, perhaps to the $200 level that many sell-side analysts have their sights set on.

Jamieson

Jamieson is a boring vitamins, minerals, and supplements (VMS) company that’s been around for nearly 100 years. Despite its age and the commoditized nature of its industry, Jamieson is very much a growth company that can leverage the full power of its brand name. Jamieson isn’t just a preferred brand name in Canada; it’s also a top foreign brand in China, a country with a booming middle class that could fuel the many years’ worth of growth for the vitamin maker.

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The stock is fresh off a 20% pullback, which I think is close to a bottom. With many growth levers to pull and a modest 3.4 times sales multiple, I’d argue that Jamieson is a great defensive growth stock for investors expecting a growth resurgence that could be followed by another recession. Jamieson a great investment to hold for all seasons. And I think investors should pounce on the name while it’s still down and out.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:JWEL (Jamieson Wellness Inc.)
2. TSX:KXS (Kinaxis Inc.)

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