
# 2 Canadian Growth Stocks to Buy by August 2021

## Description

With rates now back on the steady descent, Canadian growth stocks have been making up for lost time again, reversing most, if not all, of the damage done in the first half of 2021.



As we head into August, many top growers will be looking to add to their gains. But should investors chase some of Canada's top growth stocks amid growth's renewed momentum? Or is it smarter to wait for a broader pullback that could be induced by climbing rates?

There's no question that valuation multiples across many top Canadian growth stocks are getting overly frothy again. Many such stocks trade at high double-digit price-to-sales (P/S) multiples that skew to the higher end of the historical range.

Given the magnitude of earnings growth that could be in the cards in the latter two quarters of 2021, though, I think many high-growth stocks can grow into their multiples and continue higher, even if rates were to rise modestly.

## More volatility for some high-growth stocks in the second half of 2021

That said, one shouldn't rule out a vicious reversal in growth stocks. Rotations and rolling corrections have been a major theme of 2021, and they could persist in the second half based on what happens in the wild bond market. Indeed, the "Delta" variant of COVID-19 could slow the world's recovery in its tracks.

Some of Canada's most resilient tech stocks, such as **Shopify** (TSX:SHOP)(NYSE:SHOP), are poised to continue their outperformance in such an environment.

Given the high degree of unpredictability with this pandemic and the bond market, I'd argue that it's wise to broaden your exposure and be ready for anything. Diversification may be key to outperforming in the second half of the year. That means staying invested across the broader basket to avoid excessive volatility and damage from isolated rolling corrections.

So, if you've overweighted your portfolio in value, cyclical, and reopening stocks, it may be worthwhile to form more of a "barbell" portfolio by picking up your favourite Canadian growth stocks on the way up.

## Two plays worth the high price of admission?

Consider Shopify and **Lightspeed POS** (TSX:LSPD)(NYSE:LSPD), two e-commerce companies that are magnificent picks that could continue to outperform if rates stay depressed and variants of concern continue plaguing this market.

Last week, Shopify broke out past the $2,000 mark in an incredible weekly 15% surge. Undoubtedly, Shopify is one of the growth kings that will be tough to keep down over prolonged periods of time. Shares have dragged their feet and plunged considerably many times in the past. But dip buyers in the name have done and will likely continue to extraordinarily well.

Although I'm not a huge fan of chasing momentum stocks like Shopify, I'm still in the belief that the stock is not nearly as expensive as it could be, given new growth verticals and the potential for pandemic tailwinds to return.



For those looking for a high-growth reopening play rather than a growthy lockdown play, Lightspeed POS stock may be the better horse to bet on at this juncture.

Lightspeed popped just shy of 12% last week to hit its new high. While Lightspeed is a compelling e-commerce play, I view it as more of a commerce-enabler. For those bullish on omnichannel and the great reopening, Lightspeed could have more room to run than the likes of a Shopify.

Still, Lightspeed's multiple is hard to digest here. So, if rates really start to climb again, prepare to add to your position.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
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