2 Beaten-Down Growth Stocks That Could Skyrocket

Description

As a value investor, I love looking to the 52-week low list for the oversold names that are unfairly punished and overdue for a bounce. In this piece, we'll have a look at one growth stock and an ETF that recently ricocheted after their respective selloffs.

While it's tough to catch a bottom in a falling knife, I think that the following names provide investors with a decent shot of achieving sizeable gains, as the excess selling looks to exhaust itself.

As always, one should look to buy gradually on the way down, rather than initiating a full position in one go. Whenever you've got such negative momentum behind a name, it can be tough to limit one's losses over the near term. But if you've got a strong stomach and are feeling venturesome, consider **BMO China Equity Index ETF** (TSX:ZCH) and formerly euphoric cannabis stock **Canopy Growth** (TSX:WEED)(NYSE:CGC), which are off 46% and 67%.

BMO China Equity Index ETF

ZCH has been a falling knife for many months now. But earlier this week, shares bounced back in a huge way, with many of the ETF's top constituents soaring well over 10%. In prior pieces, I've highlighted the risks and concerns investors had with Chinese ADRs (American Depository Receipts) but noted that the selling was likely overdone, as many ADRs were way on the lower end of the historical valuation range. Indeed, it was just a matter of time before value investors stepped in, despite continued headwinds and regulatory uncertainties facing Chinese tech stocks.

Alibaba and **JD.com** are major components of the ZCH, as are other high-tech U.S.-listed Chinese ADRs. While I have no idea when the selling will end, I think that value hunters who can stomach the downside risks could have tremendous upside once the trade finally has a chance to reverse course.

Most recently, Cathie Wood loaded up on JD.com stock just weeks before she did some major selling on the way down. Has she and other institutional investors finally changed their tune on Chinese stocks? Only time will tell. Regardless, I think the risks involved with such securities have now been overblown after the ZCH suffered a nearly 50% peak-to-trough decline.

Canopy Growth

What a fall from glory it has been for Canopy Growth — a name that I'd encouraged investors to sell before cannabis became legalized just a few years ago. Since peaking in February 2021, the stock has been stuck in a nasty hangover, with the stock now off over 66% from its 52-week high.

Undoubtedly, investors were overexcited ahead of nationwide legalization. Now that the cannabis trade has died down, and nobody in the mainstream media is talking about them anymore, I think now is a great time for long-term investors to punch their ticket, as the price of admission tumbles to historic lows.

The bubble has popped, and I actually think the stock is modestly priced at just 2.1 times book value. As the company attempts to make a move into the green (no pun intended), the stock could be in a spot to light up again at some point down the road, perhaps on the back of legalization in the U.S.

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Date
2025/08/24
Date Created
2021/08/27
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