2 Canadian Stocks on Sale That Should Be on Your Radar This Month

Description

There haven't been many market downturns for Canadian investors to take advantage of in the past year and a half. Since bottoming out in late March 2020, the **S&P/TSX Composite Index** has been enjoying a steady bull run.

After ending September at a loss, the market is trading below all-time highs right now — not by much, but the market's skid last month sent other high-priced growth stocks spiraling much more than the market did.

Valuations have certainly risen to a point where some investors are understandably concerned, so it's not a surprise to see growth stocks fall more than the market last month.

Investing in Canadian stocks for the long term

If I were investing for the short term, I'd be hesitant to buy Canadian stocks today. The market as a whole is richly valued, and the pandemic is still creating plenty of uncertainty for investors. As a result, it's extremely difficult right now to predict how the market will perform in the short term. Long-term investors, however, can afford to be patient and take advantage of market overreactions.

It's anybody's guess as to how these two Canadian stocks will perform over the next few months. Over the next five years, though, I'm betting that each company will continue to largely outperform the Canadian market's returns.

Lightspeed Commerce

Speaking of discounted growth stocks, **Lightspeed Commerce** (TSX:LSPD)(NYSE:LSPD) ended September at a loss of almost 15%. The tech company is now trading more than 25% below all-time highs.

Even with the recent selloff, this Canadian stock is still one of the most expensive you'll find on the

TSX. The stock is trading at a very expensive price-to-sales ratio of 50.

The growth stock is close to a five-bagger since it went public in 2019. It's been richly valued ever since it joined the TSX, so if you're waiting for Lightspeed to be a cheap investment, you may be waiting awhile.

The reason why investors are willing to pay a premium is because of the massive growth opportunity. Lightspeed continues to enter new markets both through introducing new products and by expanding geographically.

If you're investing for the long term and willing to hold through more volatility, this growth stock should be on your radar while it's trading at this price.

Enghouse Systems

Enghouse Systems (TSX:ENGH) is another market-beating tech stock trading below all-time highs. Shares initially rebounded well from the COVID-19 market crash last year, but the stock hasn't been able to return to the highs it set in July 2020.

Shares are down close to 30% over the past five, but the tech stock is still up more than 100% over the past five years. That's good enough for more than doubling the returns of the Canadian market.

Enghouse Systems may not be able to match Lightspeed's growth potential over the next decade, but it's priced accordingly. It's trading at a much more reasonable valuation. On top of that, it pays a dividend to its shareholders that yields above 1% at today's price.

If you're looking to take on a bit less risk and volatility in your portfolio, but still looking to outperform the market, Enghouse Systems should be at the top of your watch list. I'd bet that it won't be trading below all-time highs for much longer, so you may want to act fast.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSX:LSPD (Lightspeed Commerce)

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