1 of the Best Growth Stocks to Buy on the Dip

Description

Like it or not, the recent bout of volatility experienced this September and October is only healthy for the long-term prospects of this bull market, which may very well still be in its early stages. Undoubtedly, the bull market is closing in on two years. But with growing concerns over high inflation, slowing economic growth, and the potential need for interest rate hikes to curb inflation, these hot markets have been put into check.

Still, there are some that think this bout of volatility could evolve into a year-end correction or a full-blown bear market. Indeed, **Morgan Stanley's** Fire and Ice note would really curb investor enthusiasm following one of the strongest starts to a year in quite a while. While it's a good idea to proceed into the unknown with prudence, there are also equally talented folks at other big banks that believe markets are headed higher, perhaps much higher over the coming months. Indeed, the argument remains that there are few great places outside of equities to invest your money for a good shot at solid risk-adjusted returns over time. And for that reason, the bull market may still have its legs.

Buying growth stocks in a rising rate environment isn't as foolish (lower-case *f*) as you think!

That said, rate hikes could still deal a devastating impact on some of this market's highest-multiple growth stocks. Many believe that rates are headed higher from here. The first half of 2021 saw a vicious rotation out of growth and back into the value trade. All it took was an uptick in the 10-year U.S. Treasury. Indeed, there seems to be upward pressure on rates, which means downward pressure on all things growth. That's why investors must be careful with some of the frothiest plays, because, as you're now probably well aware, higher rates make profits in the future worth less. The further into the future a firm expects to get profits (some firms aren't even thinking about making a move into the green), the harsher the penalty that Mr. Market will deal in response to any further substantial rise in rates.

Still, that doesn't mean growth is toxic. You've just got pay careful consideration to how much you pay and ensure there's enough of a margin of safety such that you won't be in a panic if rates do ascend to or even above 2%. Undoubtedly, it's harder to evaluate high-growth stocks with zero in the way of profits. But after the recent bout of volatility, I think there are some names whose multiples aren't as high as they could be given the calibre of their long-term growth prospects.

Nuvei: A great growth stock so good, you'll want to buy more on the way down

Think the wonderful growth stocks you'd be willing to own for decades. And look to pick up a few shares after a selloff intensifies for no good reason other than an anticipation of higher rates. Think shares of Canadian payments play and recent IPO **Nuvei** (TSX:NVEI). The Montreal-based company may very well be in a class of its own, surging from around $50 to $175 in under a year. Eventually, shares cooled off, falling over 17% before bouncing back modestly.

Today shares are down around 12% from their highs. I think the dip is well worth nibbling at as a part of a quarter or third of a full position. Will Nuvei get beaten up once rates start surging again? Probably. But with a growth story that's on another level, Nuvei is one of few firms that can impress the Street in a way such that it can offset rate-related weakness. Just what kind of growth surprises can Nuvei deliver? With an impressive streak of EPS beats, I'd argue the firm is likely to continue impressing and raising the bar on its valuation multiple.

At 33.5 times sales, Nuvei isn't cheap. But it's a name that should be looked at closely on any rate-related weakness.

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Author
joefrenette