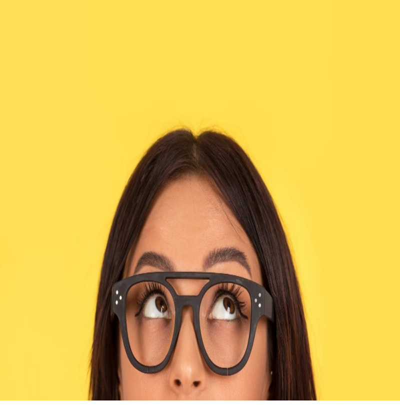

Market Correction: Is it Time to Buy the Dip Yet?

Description

There's been a global stock market correction this month. While some indexes are still trading near all-time highs, certain segments of the market have lost more than half their value this year. It's a bloodbath for tech and growth stocks in particular. Now, investors need to consider whether this is the right time to "buy the dip" or brace for more pain ahead.

Here's a closer look.

Market correction

A flare-up of inflation in the second half of 2021 deeply concerned growth investors. After all, if inflation remained higher for longer, central banks would raise interest rates, which would make growth stocks less attractive.

Now, a new variant of the COVID-19 virus is amplifying concerns. We don't know much about this new variant, but if it turns out to be more infectious or more resistant to vaccination, the global economy could be shut down yet again.

None of this is good news for stocks. The **TSX 60 Index** has lost roughly 5% of its value over the past week. Tech stocks like **WELL Health Technologies** (TSX:WELL) have lost roughly 42% of its value since hitting an all-time high in February. Most other tech stocks have suffered the same fate. Double-digit losses are spread across the global tech sector, from China to the U.S.

This market correction may have finally made growth stocks more reasonable. In fact, some could be trading at a discount. This could be an opportunity for long-term investors.

Valuations

Valuations in the tech sector were undeniably stretched. Some companies reached multi-billion-dollar valuations without any revenue or profits last year. Investors were overwhelmingly optimistic about tech stocks and growth opportunities in 2020, which made it difficult to seek out bargain opportunities.

Now, these opportunities are finally emerging. WELL Health Technologies, for instance, has seen its price-to-sales ratio compress from four to 2.75 over the course of this year. That's despite the fact that its business model is insulated from the impact of inflation and the virus.

WELL Health's online pharmacy and telehealth services saw tremendous growth during the lockdowns. This year, the company's management team has used its cash to acquire more health-tech firms across North America. It's still on track to generate $400 million in annual recurring revenue.

This disparity between WELL Health's stock price and underlying growth creates a rare opportunity. Investors willing to be patient for the long term could consider adding some exposure here right now. Eventually, the world and growth stock valuations should normalize, unlocking wealth for savvy investors.

WELL Health isn't the only undervalued growth stock. Several other software, retail, and e-commerce companies are underpriced right now. It's probably a great time to pick tech stocks.

Bottom line

Valuations were stretched last year. This year, the trend has reversed. Several growth stocks are undervalued, which means there's a clear opportunity to make long-term investments. If you're a bargain-seeking investor, Christmas seems to have come early for you. Good luck!

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