Are Battered TSX Growth Stocks Finally Worth Buying?

Description

TSX growth stocks have taken a hit to the chin in recent months, as investors take profits off their biggest winners over the past year and a half. Although rates on the 10-year U.S. Treasury note have stopped ascending viciously, it doesn't seem like there will be any relief in sight for the names that are plunging about as quickly as they rose out of their depths in March 2020.

The million-dollar question is whether it's worthwhile to attempt to catch a falling knife. Indeed, negative momentum can really hurt those who are just looking to make a quick buck off a bounce. Timing the bottoms is really hard to do. For most beginner investors, doing such is not recommended. Instead, averaging down is the way to go to take some of the emotion that comes with buying dips out of the equation.

TSX growth stocks may be worth buying here, but don't buy all at once!

Nobody likes to see shares of a company they just bought decline rapidly. It can cause one to doubt their original investment theses in as little as a few trading sessions! That's why it's wise to have a plan for if a stock doesn't immediately start appreciating after you've hit the buy button. Remember, Mr. Market couldn't care less about when you bought shares. A tumbling stock could continue treading water for quite some time after you've made your first round of buying. By averaging down and slowly lowering your cost basis, you'll surrender some upside but could improve your odds of getting a cost basis that's closer to a bottom versus buying all at one price.

When you relish the opportunity to buy a steep decline after you've already bought shares is when you know you've got conviction in your investment thesis. Indeed, keeping cash on the sidelines can come in handy once it's time for markets to correct. That said, markets don't need to fall 10% from peak to trough before you should start doing some buying. Although a correction is deemed as a 10% decline from peak to trough, it's important to know that markets don't need to have a vicious decline to correct. Markets can do nothing or fluctuate wildly for some period of time to give earnings a chance to catch up. In a way, such consolidation is a correction, although it doesn't fit the formal definition.

Docebo: A tumbling TSX stock worth nibbling on recent weakness

Docebo (TSX:DCBO)(NASDAQ:DCBO) is a stock that's reversed violently of late; it's now down around 30% from its all-time high, just shy of $120 per share. The learning management system (LMS) software developer has been feeling broader market pressures due to its high-growth nature that's accompanied a hefty multiple.

With Omicron cases picking up, the work-from-home (WFH) trend could pick up again, and that's an environment where Docebo can really shine. Unfavourable year-over-year comparables are beginning to become favourable again. And with more innovative offerings becoming available, Docebo makes for a compelling buy on recent weakness, especially with the threat of rising COVID cases.

I've referred to Docebo as my favourite Canadian way to play the digital transformation. As the company continues winning over big-name clients, I think it will be tough to keep the stock tumbling for an extended duration, especially given the work-from-anywhere trend isn't as dependent on COVID outbreaks as most may think. The hybrid work model is likely here to stay, making Docebo a compelling play to buy on the dip.

With no signs of slowing negative momentum, however, investors may wish to slowly get skin in the game with the intention of building into a whole position over the next few quarters. Sure, you'll give up a bit of upside, but you'll at least have a game plan if the stock continues souring alongside most other hyper-growth names once rates begin to rise.

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Author
joefrenette