



1 Top Growth Stock That Looks Overdue for a Bounce

Description

It seems like many of the growth stocks in the crosshairs of the selling are going to keep on tumbling further and further into the abyss this year. If you're a shareholder, it definitely seems like such names will never bottom out. Indeed, they will eventually hit bottom, but when will it happen?

Nobody knows. Currently, ARK Invest's Cathie Wood sees high-growth stocks bouncing back some point soon. She views them as oversold and in deep-value territory. Could that be the case? Or is she just hoping that many of the names within her funds hit bottom sometime soon? It's easy to go bottom-fishing with such a viewpoint. But, as we all know, it's very hard to catch falling knives, especially those that are falling the fastest. Further, it's never a good idea to buy shares of companies based solely on hope.

You'll have to put in extra homework and put in more analysis when dealing with fast-falling stocks to ensure you are, in fact, grabbing deep value and not some sort of value trap.

Growth stocks rolling over: Opportunity or trap?

With high-multiple growth stocks with no profits yet, it's really, really hard to evaluate a firm's intrinsic value, given the question marks surrounding monetary policy moving forward. If we're dealt a trio of rate hikes this year, then sure, growth could be overextended to the downside, as some growth bulls like Cathie Wood believe. What if we need four rate hikes this year? And what if the pace picks up into 2023 to combat inflation that refuses to back off? In such an environment, growth could be headed for even more pain. It's hard to say, unless you've got a crystal ball handy. That's why I'm a huge advocate of proper diversification at this juncture.

Don't shy away from beaten-up growth, but also don't get too bullish or greedy when looking to catch a bottom in such names! Odds are, you'll be super disappointed in your decision to buy if shares continue tumbling 10, 20, or even 40% after you've bought in!

Do your homework at the company-specific level and have a plan if the tech trade sours further into year-end! That way, you'll be ready for anything that's up ahead. It's your job as an investor to be

prepared for anything thrown your way, even the jabs or hooks you don't see!

Shopify: An oversold growth stock that could bounce if tech bottoms out

Currently, e-commerce titan and top TSX stock **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) seems severely oversold. The stock shed around 33% of its value in a hurry amid the latest growth selloff. Why? Investors just [don't like growth](#) right now! Growth stocks are about as [unloved](#) as the energy stocks back in 2020.

As the tables turn, I'd look to nibble away at shares of SHOP on weakness. It's a magnificent company with a brilliant management team and a plan to grow at a rapid rate. Although the valuation is hefty at 34 times sales, I'd argue that Shopify stock is unlikely to trade at a multiple that'd have value hunters like Warren Buffett pounding the table. As the price-to-revenue multiple dips below 30, I'd have a careful look at the name. I think better days are ahead. And although SHOP stock is overdue for a bounce, it could go overdue for months, if not quarters before the actual bounce back happens.

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