A Top Growth ETF to Buy for a February Bounce

Description

What a huge relief rally we enjoyed in the final trading session of January 2022!

Indeed, dip buyers were rewarded handsomely. With the S&P 500 now off around 6% from its high, the stage looks to be set for some pretty solid gains for 2022. Indeed, the best bargains may now have vanished, but there are still some pretty great deals for those who've yet to top up their TFSAs (Tax-Free Savings Accounts).

Even if the markets are due to hit new highs over the coming months, there are notable growth stocks out there that could still correct to the downside. Indeed, higher rates have been baked in, but much higher rates? Perhaps not yet when it comes to the frothiest of names, including the likes of **Shopify** stock, which blasted off 10% on Monday's session.

High-multiple growth stocks experience relief, but don't chase the heat!

Indeed, just because the TSX Index is ready to march higher does not mean that such at-risk growth stocks are in the clear. Some may not see their highs again until many years down the road. Think the reopening plays with zero in the way of profitability. Such names, I believe, could divorce the broader markets and sag lower under their own power. Indeed, 2021 was a smooth ride for passive investors. For stock pickers overweight in hot IPOs and frothy momentum stocks? It was quite a rough ride.

While I think growth is oversold here and due for a near-term bounce, I'd much rather use any extra TFSA funds to invest cautiously, rather than looking to chase names off over 50% to play a short-term ricochet. Remember, huge upside moves can be reversed in a day. As such, don't let a single day of relief lead you to conclude that the worst is over with for the hardest-hit names in this market.

Consider the following growth ETFs if you want to take advantage of the January stock market wreckage but are wary of high-multiple growth's return to glory.

iShares Nasdaq 100 Index ETF (CAD-Hedged)

iShares Nasdaq 100 Index ETF (CAD-Hedged) (TSX:XQQ) is a quick and easy way for Canadian investors to gain exposure to the Nasdaq 100. Indeed, tech may not be out of the woods quite yet. But the Nasdaq 100, I believe, looks overdue for relief.

Unlike the bubbly names floating around the markets with no profits, the Nasdaq 100 actually includes some high-quality growth companies with solid profitability prospects. In fact, U.S. big tech comprises around 40% of the portfolio. Such names trade at reasonable multiples between the 20-35 times trailing earnings range. After clocking in solid quarters, U.S. big tech has shown that it does not deserve to be dragged down alongside the likes of the names like Shopify, going for north of 30 times sales.

The Nasdaq 100 may have taken a bigger hit to the chin than the TSX or S&P 500. But make no mistake, it's still comprised of high-quality tech plays, many of which have been unfairly pulled lower by unprofitable IPOs, and most of which are undeserving of a spot on the top tech-heavy index.

Bottom line

You may have missed the recent bottom in the Nasdaq 100, which plunged around 16% at its worst. But it's still an intriguing bounce-back option if you're mildly bullish on the recent relief rally going into February. While the Nasdaq may be viewed as riskier, it is held up by some of the most profitable tech titans on the TSX. As rates rise, such names won't be nearly at risk as the high-multiple growth stocks that could still have further to fall in 2022.

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Author
joefrenette