



Is It Too Early to Buy Growth Stocks?

Description

Clearly, [growth stocks](#) have been dragging down this entire market of late. As the sell-off broadens, I do think the long-term health of this bull market will strengthen. That said, in my humble opinion, there remain many bubbles that still have yet to deflate fully. Until they do, investors need to pick and choose their way to superior market-beating returns. Like it or not, Mr. Market still has correcting to do. Whether value plays are dragged down as a part of a panic, though, remains to be seen. If it is, deep-value opportunities could open up over the next few weeks. That's why it's good to have some cash to be ready for such sales.

It's [not a good idea to try to time the market](#). Whether a 20% bear market moment is in the cards is a question mark right now. In the heat of a sell-off, it seems likelier that the bear market will come up next. While it could, investors need to also consider things that can go right. When there's so much worry on the table, taking something off could lead to a collective sigh of relief and a big rally to the upside.

So, is it too soon to buy growth stocks?

There are bargains in the growth universe right now. But they're not the ones you think. In this market, I'd separate the Cathie Wood speculative growth stocks lacking in earnings from other, profitable growth stocks. In terms of speculative, high-multiple tech and growth, the risks are as high as ever. They're the fastest-falling knives, and some may not be done correcting yet!

On the profitable growth front, though, I do believe such names are worth picking up. **Alimentation Couche-Tard** ([TSX:ATD](#)) is a boring earnings growth stock that's been dragged lower this week. It's also a value play with not nearly as much medium-term negative momentum behind it. At 16.4 times earnings, the c-store giant looks like an absolute steal in my books. It can keep growing its earnings (remember, that's what investors want to see right now, not merely sales growth), and that alone should keep the stock propelled higher in a year that could see speculative stocks continue to crumple like paper bags.

So, in short, is it too soon to buy growth? Definitely not if you mean profitable growth darlings like Couche-Tard. If you're referring to names like **Shopify**, though, it may be too soon. However, I'm not going to stop venturesome young investors from catching such falling knives. Over the long term, they may prove to be solid bets here. For everyone else, Couche-Tard looks to be a better risk/reward. Given its earnings, I expect it to be mostly spared from a rate-induced scare.

Does that mean you should steer clear of speculative tech forever?

Definitely not. If you can value a high-multiple growth company after a 50%, 60%, or even 75% drop, and your intrinsic value is well above a stock's current market value, then go ahead and be a buyer. But make sure you've got a wide enough margin of safety because, at the end of the day, a troubled Mr. Market does a terrible job of pricing stocks. And a stock could fall below its true worth for a longer period of time. Patience, conviction and pain tolerance are required if you're thinking about buying the Cathie Wood types of tech stocks here.

Personally, I'm content sticking with Couche-Tard. It's growth and value all in one!

CATEGORY

1. Investing
2. Stocks for Beginners

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