



## Got \$2,000? Top 2 TSX Stocks to Buy on the Dip in April

### Description

The stock market never fails to surprise. After a decade of smooth economic growth, economies are in turmoil. First was the pandemic, and now the Russia-Ukraine war has disrupted the business environment. The war has made energy stocks like oil, renewables, and uranium take a hit and has negatively impacted automotive and tech stocks.

### Buy-the-dip stocks

This doesn't mean automotive and [tech](#) are bad stocks. They are still riding the secular growth trend of electric vehicles (EVs) and digital-age cloud solutions. But the war has created an opportunity for [value investors](#) to pick robins in the spring of tech bears. Here are two stocks to buy and hold for at least five years to benefit from the secular growth trend:

- **Magna International** ([TSX:MG](#))([NYSE:MGA](#))
- **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#))

### Magna stock

I have been bullish on Magna for over a year, even though the stock fell 35% from its June 2021 high when it rode the EV wave. Magna is the fourth-largest supplier in the automotive space, offering body exterior, power and vision, seating systems, and complete vehicles. Six automakers account for 78% of its revenue — that's a risky customer diversification. The loss of any of these clients could significantly impact Magna. The company has a net debt of US\$1.05 billion and sufficient EBITDA to pay debt interest.

Magna has been tapping EV potential, partnering with 24 of the top 25 EV makers. The company took a significant hit in 2020 when the pandemic closed all non-essential factories. This delayed its EV growth. Then followed a brief rally when Joe Biden became the U.S. president and introduced an energy bill supporting EV adoption in the United States.

However, the automotive industry faced an acute semiconductor shortage. So, there is demand, but there is also a supply crunch, as semiconductors go into building EVs. It was during this time that **Tesla** flourished, as it had supplies in place. The chip supply shortage pulled Magna stock down 15%, but the war pulled the stock down another 14%. Magna has six plants in Russia, and it has paused operations there amid the war and sanctions. Moreover, the war has stretched the chip supply shortage for a longer period.

I [recommended](#) Magna in February with the anticipation that the pandemic recovery would continue and the chip supply shortage would ease. But no one could have predicted the war. Russia and Ukraine are key suppliers of two commodities used in chips: palladium and neon. The war aggravated the already acute chip supply shortage, pushing Magna into a long [bear market](#). But it still has the EV secular trend it could tap once the semiconductor shortage eases in the mid-term.

## Shopify stock

Shopify is in the e-commerce business with **Amazon** in the U.S. market. The Canadian company was on a hyper-growth stage in 2020 and 2021, as retail investors put their stimulus money into buying e-commerce stocks. But these inflated valuations wouldn't have lasted. Billionaire investor George Soros [warned](#) about the tech bubble back in September 2020.

Shopify stock fell almost 60% from its November 2021 high when the company first reported weaker guidance. The company expected the pandemic-led revenue growth to normalize. The stock started to fall, as investors had priced in very high expectations and overvalued the stock. Then came the tech selloff as the U.S. Fed decided to increase interest rates faster than anticipated. This sent hedge funds on a selling spree, booking profits from growth stocks.

Now, Shopify is closer to its pre-pandemic level, restarting the normal growth curve. Overall commerce is slow, as high inflation is impacting consumer spending. Once the war subsides and the economy revives, e-commerce could see a surge in shopping volumes, driving growth in the long term. The stock will remain volatile this year, but growth could stabilize in the long term.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:SHOP (Shopify Inc.)

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