



2 Top Growth Stocks to Buy in May

Description

A rotation in the market has been underway for some time. With interest rates rising, growth stocks are out and defensive holdings are in. At least, that's what the price action in the market of late has told us.

With that said, portfolio allocation over the long term has proven to be quite favourable for investors who carried a mix of growth and defensive stocks. Thus, with this recent market rout, perhaps there's some growth available at a reasonable price.

Two such stocks I have on my radar right now, which are trading at more attractive levels than we've seen in some time, are **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Constellation Software** ([TSX:CSU](#)).

Let's take a closer look.

Top growth stocks: Shopify

No doubt, comparing Shopify and Constellation Software, the charts look quite different for these two hyper-growth names. That's for good reason.

Shopify's valuation reached astronomical levels following the onset of the pandemic. That's because the pandemic fueled Shopify's growth rate, just as interest rates plummeted toward zero, fueling cheaper capital in the marketplace. With these catalysts abating in a big way, investors are rightly concerned about how Shopify stock may perform over the near term.

I certainly think these concerns are warranted. That said, this company has gone from a price-to-sales multiple around 60 times recently to a price-to-earnings ratio [under 20](#). For a growth stock of this calibre, this sort of discount is rather impressive.

Today, Shopify stock is up alongside broader tech, as investors appear to be shopping for deals. I think quality will become apparent, even if a recession is around the corner. Accordingly, investors looking for top growth stocks may want to take a look at Shopify on any further dips.

Constellation Software

Despite a decline of approximately 15% from its 52-week high, Constellation Software is one of the few tech stocks that has held up remarkably well in this market. That's despite a valuation multiple of more than 100 times earnings at the time of writing.

Indeed, Constellation Software is a poster child for the Canadian tech sector. This growth-by-acquisition company has an incredible track record of improving shareholder returns for the companies it acquires. Accordingly, investors looking for stable and consistent growth have gotten it for decades with this company.

The software space is one area of the market I think is prone to continued consolidation. As valuations drop, Constellation's upside improves. Accordingly, I think the case can be made that a bear market, or worse, in the software space, is bullish for Constellation.

Overall, Constellation is a company with an incredible management team and proven track record of organic and acquisition-based growth. In this environment, Constellation Software is one of the top growth stocks I'm watching, should the market continue to be extremely volatile.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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