



2 Falling Growth Stocks I'm in No Rush to Buy

Description

High-multiple growth stocks have felt so much pain over the past few months. Undoubtedly, innovation investors like Cathie Wood have faced amplified damage amid the broader market selloff. Though it may be tempting to bottom fish for a shot at the biggest gains in a bounce-back, there's a risk that investors could get hurt by [catching](#) the fastest of falling knives in this market. Yes, there are huge rewards to be had for bottom fishers who get lucky. But with rates continuing to surge, there's a tonne of pressure facing the growth trade. And it's this pressure that could weigh most heavily on the growth stocks that are leading the tumble into the abyss.

The growth trade has soured in a big way: Time to go bottom-fishing?

While I am a fan of certain growth stocks for the long run, I wouldn't jump into the [deep](#) end just yet, especially if you're a new investor. Why jump into the deep end of the pool, when you can wade in the shallower waters and still get the benefits without the risk of drowning?

Eventually, growth will rebound, and it's likely that they'll soar higher and faster than value plays. And although I could be wrong to avoid the following growth stocks, given the bottom could be in sooner rather than later, I think it's much better to be safe than sorry.

What we've experienced is the second coming of the tech bubble burst. While I think there are tech stocks in value territory, it's the high-multiple names with no earnings that I'd look to avoid, as they could easily continue their descent to lower levels.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is such a great company, and it's grown to become a mainstay in many Canadian portfolios. Unfortunately, that left many feeling the impact of the stock's nearly 75% crash. It's hard to believe that shares went from trading at over \$2,000 per share to \$500 and change.

While I think the damage is considerable, I don't think the pain is over yet. The stock still trades at over 10 times sales. That's well lower than where it was at the peak. Still, with a recession in the cards and the possibility of a post-pandemic hangover as a result of the pull forward in demand, Shopify stock may not be quick to recover. With the recent quarterly earnings fumble considered, SHOP stock could easily get pummeled to \$400 per share before it bottoms out.

Back when SHOP stock was trading at over \$1,000, I brought up the possibility of the \$400-500 range being tested. Though far-fetched at the time, here we are. Could I lower the bar further? Perhaps, if rates continue to climb. For now, I think few things, other than retreating rates on the 10-year, can stop the pain for Shopify investors.

Lightspeed Commerce

Lightspeed Commerce ([TSX:LSPD](#))([NYSE:LSPD](#)) is another great company that's been tumbling lately. Shares lost around 85% of their value, and it seems like few things can stop the negative momentum here.

Although LSPD stock has recovered from massive plunges in the past, it's really hard to tell when the bottom is in. Short-sellers that previously targeted the firm have not helped the cause. Still, Lightspeed seems like too fast of a falling knife to reach out for. Though the commerce-enabler has enticing technologies and a steady growth profile, it's really hard to tell just how much to pay for the firm.

On the flip side, LSPD stock could prove beyond undervalued, given how challenging it is to value the firm. The \$3.7 billion company is really hard to gauge at a time like this, so unless you think rates have climbed too far, too fast, LSPD may be up against it.

If you're a courageous investor who's willing to take big risk for a shot at big reward, though, LSPD is definitely compelling. Just don't forget that a stock that's crashed by X% can crash by another X%. In the case of LSPD, I'd say the odds of another such crash are highly unlikely. In any case, shares of the former e-commerce stud will not be for the faint of heart.

CATEGORY

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