2 Earnings-Growth Stocks That Just Went on Sale!

Description

A lot of quality merchandise was marked down over this past week, with the S&P 500 flirting with bear market territory and the tech-heavy Nasdaq 100 index just shy of a 30% peak-to-trough decline. It's ugly out there, with a U.S. Federal Reserve that seems ready to knock down inflation at any cost.

Undoubtedly, they don't want to induce a recession after all the accommodation they provided to drag the world economy out of the gutter in the early part of 2020. That said, inflation is arguably the biggest enemy of stocks these days. And until it's brought back down to levels we've grown accustomed to over the past several years, it's tough to even think about being a buyer of the most rate-sensitive stocks.

Earnings-growth stocks could be vital to outperforming in 2022

Of course, we're talking about tech and high-multiple growth plays, many of which have been decimated. If rates continue to rise (and there's a real risk they could in the fight against inflation), growth could continue dragging the broader markets to even lower levels.

Instead of trying to catch a falling knife, I'd urge beginner investors to stick with fundamentals — quality earnings growth with actual cash flows. And, of course, shares should trade at reasonable multiples. Good, old-fashioned valuation is making its return, and those who don't try to be a hero, I believe, are the ones that can escape 2022 with minimal damage and possibly some positive returns.

Consider shares of **Alimentation Couche-Tard** (TSX:ATD) and **National Bank of Canada** (TSX:NA) — two great earnings-growth stocks that slipped this week.

Alimentation Couche-Tard

Couche-Tard fell over 5% on Wednesday, marking the end of the stock's rally to new highs. Undoubtedly, the convenience retail giant has been putting the markets to shame this year, with positive returns on a year-to-date basis. Though shares followed everything else lower on Wednesday, I think the plunge should be viewed as more of a buying opportunity than a cause for concern. Why? It was hard to find anything that wasn't nosediving in sympathy with the broader markets on Wednesday. Sure, Couche stock has held its own until now, but it's been a rather bumpy ride to the nearly $59-per-share level.

As the company continues raking in earnings while keeping an eye open for M&A opportunities, I'd say Couche is well on its way to raising the bar on revenue and earnings at a rate far quicker than economic growth. At 16.8 times earnings, Couche-Tard stock is just too cheap, and I don't think it'll stay depressed for too long a period, even if we're due for a recession.

National Bank of Canada

National Bank of Canada is an underrated Canadian bank (the sixth largest) that might also be the cheapest of the batch. After correcting around 16%, shares of the Montreal-based bank now trade at 9.7 times trailing earnings. Undoubtedly, banks will take a beating when the economy heads south. However, National Bank has shown that it's willing to adapt to the times, as demonstrated by its doing away with trading commissions.

There's no question that big banks face disruption from fintech disruptors and digital-only banks. Big banks will need to improve their value propositions to counter such disruption. And doing away with pesky fees is a great way to do this. At writing, National Bank may be the smallest of the Big Six group, but it's also the most willing to embrace change. With a 3.8% dividend yield, NA stock is an excellent addition to any value-focused income fund.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/07/04
Date Created
2022/05/22
Author
joefrenette