RRSP Investors: 2 Oversold Growth Stocks That Look Ready to Recover

Description

Growth stocks have been absolutely pummeled of late, with former high flyer **Shopify** (TSX:SHOP)(NYSE:SHOP) shedding over 80% of its value from peak to trough. That's a nasty decline, and it may not be over if inflation continues running hot in these monthly CPI reports.

Indeed, the Bank of Canada and U.S. Federal Reserve — the central bank in the states — have fallen behind the curve. Arguably, the Bank of Canada should have raised at a much quicker rate, given the strength in energy stocks and many materials names. With the U.S. economy on the brink of a potential recession or worse, RRSP investors may wish to proceed into the second half of 2022 with caution.

Now, it's never a good idea to sell your stocks when you're in a state of panic. Markets tend to move in mysterious ways, and it's difficult to time your entries and exits. Once markets do bottom, it's likely that tech will bounce back sharpest. Indeed, the odds of SHOP stock losing another 70-80% from around $400 per share is far less likely. Though catching these fallen growth studs may seem like the smartest way to take advantage of this bear market, I'd argue that a barbell approach allows investors to play both sides of the coin.

If inflation rolls over, those beaten-down growth plays could shine. And if inflation continues to plague us for another year, it's the commodity stocks and dividend plays that may be most intriguing.

Here are two beaten-down growth plays that RRSP investors may wish to buy now.

RRSP stock pick #1: Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a perennial underperformer that doesn't have the best managers in the world. Still, the company possesses three of the hottest fast-food brands in Popeyes Louisiana Kitchen, Tim Hortons, and Burger King.

As we approach a possible recession, it's cheap fast-food firms that could win over a lot of business! Further, inflationary pressures have likely caused many consumers to gravitate toward cheaper food options. In terms of value, it's hard to beat the top fast-food firms.

I think a recession could pave the way for a breakout in shares of QSR. The stock yields more than 4% and is getting too cheap to ignore, as the rest of the market flirts with danger. The company's modernization initiatives are also bound to pay off, as the firm looks to catch up to the leaders in the fast-food space. In any case, a recessionary or stagflationary environment may benefit QSR at the end of the day. Though the firm is feeling the negative effects, for the time being, it won't take long before it moves on and makes the most of potential tailwinds.

RRSP stock pick #2: Shopify

Finally, we have Shopify. It's taken a hit, and I think it's ultimately a buy. CEO Tobi Lütke got what he wanted: 40% of the voting stake. Now, he's ready to take his firm to the next level. With a 10-for-1 share split underway (Shopify may not need a split at this rate. It could plunge its way to a lower share price!), I think we're starting to get closer to a bottom.

Sure, the broader retail slowdown (or consumer recession) and potential disruption from rivals could weigh. Still, at the end of the day, Shopify is a premium growth stock with a pretty modest multiple after its crash. RRSP investors, take notice!

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
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