2 Growth Stocks to Buy on the Dip in July

Description

Many Canadian investors know that this market correction has been one of the best opportunities to buy stocks at attractive discounts. However, while stocks across all industries have become cheaper, there's no question that as we begin July, growth stocks are some of the best to buy on the dip.

Valuations for growth stocks have come down significantly over the past six months. And if you're looking to buy companies that are the best of the best, which you naturally should be, many of these companies should continue to expand their businesses over the coming years, whether a recession hits or not.

So, while valuation metrics for many of these high-potential stocks are at multi-year lows, here are two of the best growth stocks to buy in July.

One of the best Canadian growth stocks to buy in today's market

One company that's well known among Canadians and, in recent years, has been performing exceptionally well, creating tonnes of value for investors, is **Canadian Tire** (TSX:CTC.A).

Canadian Tire's strategy over the last few years has made it one of the best growth stocks you can buy. It even performed exceptionally well through the pandemic, as many other companies struggled.

However, even with the pandemic now having little effect on business, today, retail companies like Canadian Tire face more headwinds in the short term. Between high inflation, supply chain issues and the growing worries of a recession, which could impact consumer confidence, there are many headwinds retail stocks face.

It's worth noting, though, that Canadian Tire has consistently mitigated against these headwinds and, in recent years, has often outperformed expectations.

Therefore, while the stock faces some uncertainty and offers some risk in this environment, with

Canadian Tire trading so cheaply, it's still one of the best stocks to buy and hold for the long haul.

And after its recent selloff in the last few months, not only is it ultra-cheap, but its dividend, which was also just increased lately, now yields roughly 4%.

Just three years ago, the stock traded with a yield closer to 3%, and over the last decade, Canadian Tire's average yield has been 2.3%.

Therefore, while this high-quality company trades undervalued and offers attractive passive income, it's easily one of the best growth stocks to buy now.

An excellent Canadian REIT to buy and hold for years

In addition to Canadian Tire, another high-quality company that you can have confidence buying for the long haul is **InterRent REIT** (TSX:IIP.UN), a stock that owns residential real estate assets in Ontario, Quebec, and B.C.

Residential real estate is facing strong headwinds due to the economic environment right now. However, in general, it's one of the most reliable and defensive businesses you can invest in. And while there are several residential REITs to consider, InterRent has consistently offered some of the best returns and is, therefore, one of the best growth stocks to buy while it's cheap.

First off, the REIT is trading roughly 35% off its 52-week high, a considerable discount for a residential REIT such as InterRent. However, looking at its valuation, it's even cheaper than you might think.

After its recent selloff, InterRent trades at a forward price-to-adjusted-funds-from-operations ratio of just 22.6 times. That's cheaper than InterRent was at any point during the pandemic. In fact, InterRent hasn't traded this cheap since July of 2017, roughly five years ago.

So, we know that it's cheap. But why is it one of the best growth stocks to buy now? Well, for years, InterRent has grown both the price of its units and the cash flow it brings in from operations consistently. In fact, from 2017 through to the end of 2021, InterRent grew its funds from operations by 162%, or a compounded annual growth rate of more than 21%.

In addition, much like Canadian Tire, because its stock has sold off recently, the Canadian Dividend Aristocrat now offers a yield of roughly 2.85%. A year ago, that yield would have been closer to 1.9%.

Therefore, while InterRent trades at multi-year lows and offers an attractive yield for investors, it's certainly one of the best growth stocks you can buy now.

CATEGORY

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