



1 U.S. Stock to Buy That Could Make You a Millionaire

Description

The U.S. dollar is so strong against the Canadian dollar right now that Canadian investors might be reluctant to invest in U.S. stocks unless they have U.S. dollars lying around. However, the U.S. market provides opportunities to buy many wonderful companies — for instance, **Mastercard** ([NYSE:MA](#)).

Although the U.S. dollar has appreciated in value by strides lately with US\$1 worth CA\$1.37 at writing, the U.S. stock market has also fallen substantially. Using the **SPDR S&P 500 ETF Trust** as a proxy for the U.S. market, it is in a [bear market](#) that has fallen 22% from the peak at the start of the year.

The gloomy market

Rising interest rates have weighed on the valuation of stocks, as cost of capital is rising, and business earnings growth is expected to slow down. As well, consumers will be more careful with their spending because of high inflation and the fact that it's more costly to borrow — particularly when wages can't keep up with inflation.

Moreover, the market is concerned about a potential hard landing in a recession triggered by interest rates rising too fast in order to cool down the high inflation. No matter what, in this highly uncertain environment, businesses and consumers will spend less. This could soften Mastercard's results in the near term.

The growth stock is on sale

Consequently, investors are able to buy the credit card company on sale. At US\$290 per share at writing, Mastercard stock trades at a forward price-to-earnings (P/E) ratio of about 27.4. The multiple may still seem high, but if you account for its potential growth rate, it's starting to look enticing.

Currently, analysts anticipate a three to five-year earnings-per-share growth rate of about 22.8% per year over the next three to five years. If so, the growth stock would be trading at an attractive P/E-to-growth ratio of about 1.27.

The stock has corrected about 27% from its 52-week and all-time high. Certainly, interested long-term investors could consider starting to ease in here. Even after this meaningful drop, the stock, driven by a wonderful business, has still made long-term investors super wealthy.

According to *Portfolio Visualizer*, Mastercard stock's worst year saw a -33% return. But an initial investment of \$10,000 in the stock since 2006 — its inception year — would have transformed into about \$355,034, which equates to a compound annual growth rate of 25.6%. Given enough time, it can turn investors into a millionaire. Of course, you can quicken *your* path to become a millionaire sooner by investing more money when [stocks go on sale](#).

There's still a long growth runway for electronic payments, such as in emerging markets. If Canadian investors are able to invest \$10,000 a year for annualized returns of 20%, which Mastercard has a good chance of delivering over the next three to five years, you would become a millionaire in just under 17 years!

More great stocks

Don't just rely on one growth stock to make you a millionaire. There are too many wonderful companies with their stocks becoming more and more compelling in this market downturn. Cash is so precious now, so ease into your positions over time in a diversified basket of [top stocks](#) to spread your risk.

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