Down 24.12%, Is it Safe to Invest in U.S. Stocks Right Now?

Description

As of this writing, the **S&P 500 Index** is down by a massive 24.12% year to date. The state of the U.S. benchmark index might make you feel nervous about investing any money in the U.S. stock market.

Stock market investing is inherently risky, and investing during a downturn might seem outright dangerous. However, you might still want to consider investing in U.S. stocks to take advantage of it rather than fear the bear market.

Is it safe to invest in U.S. stocks right now?

If you look on the surface, it might seem like the worst time to invest in U.S. stocks. After all, millions of investors have seen their portfolios fall off a cliff this year. Naturally, you might not feel inclined to stay on a sinking ship. However, taking the right approach to stock market investing during such environments can be incredibly profitable in the long run.

Stocks across the board trade for massive discounts in market environments like this. Even the typical top performers are struggling with their price performance on the stock market. Some of the biggest names trade for discounts higher than 30%.

However, the downturn will not last for all companies. High-quality businesses with solid fundamentals and long-term growth prospects can weather the storm and recover to better valuations. Now would be the best time to invest if you want an opportunity to own high-quality U.S. stock for a bargain.

Home Depot (NYSE:HD) is one such business you can consider investing in for this purpose.

Home Depot

Home Depot stock trades for US$284.32 per share at writing, down by 32.40% from its 52-week high, and it appears to be rapidly approaching its March 2020 pandemic low. There are several reasons for its downturn, besides the overall weakness in the stock market.

Home Depot is a household name across the United States. With mortgage rates rising rapidly in the U.S., and the housing market cooling down, Home Depot has taken a hit in its performance. Consumers who purchase from Home Depot are less likely to spend on expensive renovation projects during harsh economic environments.

Despite the mortgage rates in the U.S. rising to 15-year highs, Home Depot's business shows a degree of resilience. Its July-ending quarter for fiscal 2022 saw its revenue grow by 6.5% year over year, and its diluted earnings per share grew by 11.5%, beating analyst estimates.

Home Depot saw sales surge amid the pandemic, as people spent more time at home. A slowdown in sales growth was expected, as the world moved into a post-pandemic era.

However, its sales have remained strong, reflected by its same-store sales increasing by 5.8% year over year.

Foolish takeaway

Between the weakness in the stock market and the housing market in the U.S., there is plenty of pessimism surrounding Home Depot stock. It trades for a price-to-earnings ratio of just around 16, which is lower than the S&P 500's 17, making it an attractive entry point for value-seeking investors.

If you are concerned about near-term performance, there might be further downside on the horizon due to increasing macroeconomic troubles. However, the company is well positioned to weather the storm and deliver solid long-term wealth growth. It can be a good addition to your portfolio at current levels.

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