2 Top Canadian Stocks to Buy Before the Market Recovers

Description

The first 10 months of 2022 have been extremely brutal for stock market investors. Major indices such as the S&P 500 and Nasdaq Composite have entered bear market territory. But the TSX index is down "just" 12.2% from all-time highs due to its exposure to the energy sector.

Alternatively, several TSX growth stocks are trading at depressed multiples, making them attractive to value investors. Investors concerned over the double whammy of red-hot inflation and rising interest rates should look beyond the current economic turmoil. The stock market volatility creates a buying opportunity for those with a long-term investing horizon.

Historically, each and every bear market has been eventually replaced by a bull market allowing indices to regain record highs. In fact, the S&P 500 index has returned over 10% annually to investors in the last six decades, easily outpacing inflation and creating massive wealth for investors.

Further, it's impossible to time the market bottom. Instead, you can consider buying beaten-down tech stocks trading at a reasonable valuation right now. And if you are looking to buy quality Canadian stocks, here are two top TSX stocks you can hold in your portfolio for 2022 and beyond.

Shopify

The largest company on the TSX by market cap in 2021, **Shopify** (TSX:SHOP)(NYSE:SHOP) stock is currently down 79% from all-time highs. Shopify provides a range of e-commerce services to companies that want to set up and establish an online presence. These products and services include web-building tools, payment processing solutions, and order fulfillment, among many others.

The ongoing pandemic acted as a tailwind for Shopify. The e-commerce platform increased sales by 86% year over year in 2020 and by more than 60% in 2021. As economies were closed and businesses were shut at the onset of COVID-19, several companies flocked to Shopify and began e-commerce sales.

Shopify now has a merchant base of more than two million, enabling the company to derive recurring

sales for its subscription services. In the last year, Shopify has allocated significant resources towards building a robust network of fulfillment centers to optimize the supply chain for its merchant base.

Shopify remains part of the rapidly expanding e-commerce market, making it a top bet for investors with a high-risk appetite. Right now, SHOP stock is trading at a discount of over 100% to analyst price target estimates.

Magnet Forensics

A Canadian-based company operating in the cyber security space, **Magnet Forensics** ([TSX:MAGT](#)) is a small-cap stock valued at less than $1 billion. Magnet Forensics provides enterprise access to a wide range of tools to investigate cyberattacks and digital crimes. Its blue-chip customer base includes Fortune 500 companies, governments, and investigative agencies.

With a customer base of 4,600, Magnet Forensics has managed to increase Q2 sales to US$82 million. Since 2018, its top line has expanded by 38% annually. Further, the company ended Q2 with a net retention rate of 136%, indicating existing customers increased spending by 36% in the last 12 months.

Around 85% of Magnet Forensics' sales are recurring in nature, which should generate predictable cash flows across market cycles. The market opportunity for Magnet Forensics is massive. Analysts forecast the total addressable market to surge to US$10.2 billion in 2026, up from US$6.3 billion in 2021.

MAGT stock is down 63% from all-time highs and trading at a discount of over 50% to consensus price target estimates.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:MAGT (Magnet Forensics)
3. TSX:SHOP (Shopify Inc.)

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