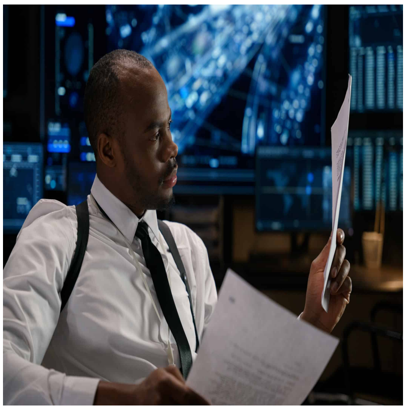

2 Potentially Explosive TSX Stocks for Investors With Strong Stomachs

Description

Explosive TSX stocks that posted the biggest gains in 2021 are now among this market's biggest losers. Stocks that doubled or tripled in their 2020-21 post-crash runs are now feeling a considerable amount of negative momentum. This momentum could carry into the new year, as that recession approaches with every interest rate increase at the hands of the Bank of Canada.

Indeed, the appetite for potentially explosive TSX stocks has decreased drastically. If there are no profits to be had, many investors will look the other way. Indeed, higher rates have been a nasty wake-up call for speculators and growth investors who may have failed to diversify beyond just technology holdings. New investors have learned their lessons, and the main tone on Bay Street is one of caution as we go into 2023.

Still, investors must not discount the potential for a growth-driven rebound. Once this market bottoms out and returns to rally mode, the appetite for risk will gradually return. And in up markets, growth is likely to be in the driver's seat (as opposed to value). Still, that does not mean now is the time to go all-in on growth stocks not making a profit. Remember, nobody knows when the bear will end, how bad the recession (if it even happens) will be, or where rates will settle.

At the end of the day, investors need to commit to the ride. That means the ups and the downs. Otherwise, one could find themselves suffering from indigestion while missing out on the ensuing feast that always tends to follow.

Now, there's nothing wrong with loading up on interest-bearing securities and safety stocks. However, if you're young and have disposable income to put to work, it may be wise to nibble on some growth plays, assuming the rest of your portfolio is already diversified.

Consider **Cineplex** (TSX:CGX) and **Shopify** (TSX:SHOP) stocks, two high-risk plays that could be quick to surge once the bull is ready to return.

Cineplex

Cineplex is a movie theatre giant that was falling even before the pandemic lockdowns kicked the firm deeper into the abyss. With such a worst-case environment already baked in, it's arguable that shares of CGX are a massive bargain while prices are at or around historical lows.

Indeed, the rise of streaming has been a headwind on Cineplex for a few years now. That said, streaming has been greatly overblown. With lockdowns lifted, masks removed, and new films rolling out to the local cinema, Cineplex may finally have the means to move higher again.

The anticipation of a recession is the latest cause of concern for Cineplex. I think such woes are greatly overblown. At the end of the day, going out to see a film is a cheap form of entertainment, assuming patrons stay away from the concession stand.

At below $10 per share, Cineplex seems too cheap to ignore, even with a mild recession considered.

Shopify

Few people thought Shopify was even capable of shedding more than 82% of its value. While I think the reaction is overdone, 2023 could be tough sledding if the rise in interest rates continues at this pace.

In any case, Shopify is still the same secular grower it was just over a year ago. If anything, the total addressable market has increased, with the firm going for physical retail and other market verticals that it's more than capable of thriving in.

The stock once commanded a price-to-sales (P/S) multiple north of 40. These days, shares go for around eight times P/S. Indeed, sales are bound to slip with a downturn. But the recovery trajectory could be enormous.

Indeed, recovering from a 82% drop implies doubling up more than five times over. Though Shopify may not see its highs again this decade, I think shares could provide market-beating results for new investors getting in at these lows.

CATEGORY

1. Investing

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2. TSX:SHOP (Shopify Inc.)

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