2 Stocks That Could Turn $1,000 Into $5,000 by 2027

Description

Expectations for a 2023 recession are growing as we near the end of 2022. Economic growth has stagnated as inflation remains high, despite aggressive interest rate hikes. The next stop is a recession. Third-quarter earnings have shown how companies are preparing themselves for challenging macroeconomic conditions (a subtle way of saying recession).

Got $1,000? Buy these two stocks

Most companies are cutting down their expenses, lowering guidance, and slowing dividend growth to preserve cash for challenging times ahead. At such times, the hunt for value stocks begins.

If you have $1,000 in your Tax-Free Savings Account (TFSA), here are two stocks with the opportunity to grow your $1,000 to $5,000 in the coming five years.

Nvidia stock

Nvidia (NASDAQ:NVDA) trades on Nasdaq, but your TFSA allows you to buy U.S. stocks without hampering your tax benefits. I suggest you take advantage of this benefit and buy Nvidia while it trades below US$155.

If you are a gamer, crypto miner, or visual effects artist, your entire workstation is likely powered by Nvidia's high-end graphics processing units (GPUs). Nvidia has technical advantages in artificial intelligence (AI), PC gaming, autonomous vehicles, and network infrastructure. High-performance GPU computing is the new age of computing. To give you an idea of this opportunity, the Biden administration imposed a ban on the export of Nvidia's next-generation AI chips to China over national security concerns. Nvidia's chips faced a similar ban in the 2018 trade war.

The company is seeing demand weakness as crypto miners dumped their GPUs in the secondhand market after the crypto bubble burst. Moreover, PC shipments reported their largest decline as many people upgraded PCs during the pandemic. The crypto event and the PC demand weakness are cyclical. Its effect will fade.

But these cyclical reasons are not what has pulled the stock down 50%. The tech stock meltdown after the pandemic pulled the entire sector down. Moreover, rising interest rates and recession fears reduced the risk appetite of short-term investors, and many booked their profits.

The short-term cyclical headwinds will keep the earnings depressed for a few quarters. But the stock will bounce back once the economy revives. If you buy the stock at the current price point, you are booking a seat in the recovery rally that can double your money. Moreover, get ready to ride the next-gen AI wave powered by 5G infrastructure that could convert your $500 into $2,500.

goeasy

I suggest diversifying your portfolio into sectors other than tech. Sub-prime lending is another segment with immense growth potential. You might think it's a crazy idea to buy **goeasy** (TSX:GSY) stock when high borrowing costs and a looming recession increase the risk of delinquency. That is what most investors thought during the pandemic and missed the opportunity to book 500% in capital appreciation.

goeasy gives $500-$75,000 short-duration loans to non-prime lenders who have been rejected by banks. Despite rising interest rates, goeasy's third-quarter loan origination increased 47% year over year to a record $641 million, as it added auto financing to its offerings. The company is in the business of credit risk. It manages this risk by keeping aside some money for delinquency. It maintained a net charge-off rate (the percentage of loans the company feels could become a bad debt) of 9.3%, which is within its targeted range of 8.5%-10.5%.

The controlled credit risk was possible due to structural improvements to the business. While goeasy's loan originations and operating income increased, its stock price halved, as investors cashed out over fears of a recession. The stock price dip is related to investor sentiment and not fundamentals, which are strong. goeasy stock can rebound 84% when investor confidence returns and investors price the company's fundamentals.

After the rebound, goeasy stock has a growth catalyst in the auto financing business when pent-up demand for electric vehicles gets realized with an easing of supply chain constraints. This could grow the stock by 20-30% every year through 2027 and could turn your $500 into $2,500.

Bottom line

The above two stocks have what it takes to grow your money fivefold in five years, but they could fall in the short term. For higher returns, buy the dip and hold till the economy recovers.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:NVDA (NVIDIA Corporation)
2. TSX:GSY (goeasy Ltd.)

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Date
2025/06/28
Date Created
2022/11/27
Author
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