2 Top Canadian Stocks to Buy for Slowing Inflation and Interest Rate Hikes

Description

Rising inflation and interest rate hikes to bring it down increased the cost of capital, dragging share prices of high-growth companies lower. Further, the uncertainty related to the economy limited the recovery. However, inflation has eased a bit (it increased by 6.9% in October) after peaking in June (it increased by 8.1%), signaling that the central bank could consider lowering its pace of interest rate hikes.

A slowing inflation and interest rate hikes provide a strong base for recovery in high-growth stocks. Against this background, let's look at the two top Canadian stocks that would recover fast and deliver market-beating returns in the medium to long term.

goeasy

goeasy (TSX:GSY) is a solid stock to capitalize on the moderation in inflation and interest rate hikes. It provides leasing and lending services to subprime customers and has consistently delivered double-digit earnings growth. However, fear of an economic slowdown dragged goeasy stock lower, which lost over 30% of its value in 2022.

Given its solid fundamentals and high growth, the decline in its price seems unwarranted. Moreover, higher loan originations and stable credit quality indicate that an improvement in the economy will accelerate its growth rate, resulting in a sharp recovery in its share price.

Its revenue has had a CAGR (compound annual growth rate) of 15.9% in the past 10 years. Meanwhile, goeasy's adjusted net income has had a CAGR of 33.6%. For the nine months of 2022, goeasy's top line registered a growth of 26%. During the same period, its adjusted net income marked an increase of 11%.

The ongoing momentum in the business, high-quality loan origination, wide product range, and omnichannel offerings provide a solid base for a recovery in goeasy stock. Thanks to its solid earnings growth, goeasy is also a top Canadian dividend stock. goeasy has been paying a dividend for 18 years and has increased it for eight consecutive years.

Overall, goeasy's solid growth profile, stable credit performance, and consistent dividend growth make it an attractive investment for the medium to long term.

Docebo

As tech stocks have declined the most amid rising interest rates, it's prudent to invest in top-class tech stocks to benefit from the recovery in their prices. Within the tech space, investors could consider investing in the corporate e-learning platform provider **Docebo** (TSX:DCBO). Like goeasy, macro concerns weighed on Docebo stock. Thus, an improvement in the economy will lead to a solid recovery.

Docebo's fundamentals remain strong, with its ARR (annual recurring revenues) and other operating metrics reflecting strength, despite the weak macro environment. For instance, its ARR has had a CAGR of 66% since 2016. Moreover, it increased by 40% in the third quarter of the current fiscal year. It is winning new customers while the average contract value is also growing, which is positive.

Overall, Docebo's growing enterprise customer base, high retention rate, increased revenue from its existing customer base, and product expansion position it well to deliver solid growth in the future. Further, strategic acquisitions will likely accelerate its growth. The stock is trading cheap, providing a solid entry point for investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)
2. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. snahata

Category

1. Investing

Date
2025/09/18
Date Created
2022/11/27
Author
snahata