



## Is Now the Right Time to Buy Consumer Discretionary Stocks?

### Description

No matter the investment climate, stocks in some industries will always do better than stocks in others. But when the market crashes and stocks lose a lot of value, it becomes even more important to know which industries to invest in.

Not all industries are similarly affected by economic and market changes. So, with inflation still hurting consumers and a recession looming, you must be extra careful about the stocks you add to your portfolio.

When there is a recession, stocks in the [consumer discretionary sector](#) tend to suffer the most. By definition, non-essential items are those you can choose not to buy. So, food is essential, but going to a restaurant is not. Even though it's important to have clothes to wear, it's not essential to buy the newest clothes.

This is very important to know. Because inflation hurts people's budgets and a recession almost always makes unemployment go up, Canadians will have less money to spend on things that aren't necessities.

## Many consumer discretionary stocks are undervalued

Inflation has been going up for a few quarters now. We're already starting to see how it's affecting consumers and stocks that people buy for their pleasure.

Even though the consumer discretionary industry has more risk in this situation, not all stocks are the same. Some companies have already seen a change in their sales, while others are still going strong.

Also, because many investors think that consumer discretionary stocks will not do well, many of these companies have already lost value and now trade at low prices. So, if you're a long-term investor looking for deals, this could be a great time to buy good consumer discretionary stocks while they're undervalued.

So, even though these stocks have more risk in general, investors may still be able to find suitable investments in the sector.

Until the economy gets better in a big way and inflation goes down, all stocks in the consumer discretionary sector will have more risk.

The key is to ensure that you believe in the long-term value of the stocks you want to buy.

You have no way of knowing how long or how badly these stocks will be affected in the short term. However, you could pick up a great long-term investment and lower the risk of loss. The trick is, find an outstanding stock with years of growth potential and buy it when it is very cheap.

## One of the top consumer discretionary stocks to buy now

While **Starbucks** ([NASDAQ:SBUX](#)) dropped in the first few months of 2022, the stock has recovered pretty well since. SBUX stock has posted a gain of 32% in the past six months.

With nearly 35,000 locations worldwide, Starbucks is the world's largest coffeehouse chain. For the past 12 years, the company has increased its [dividend](#) every year. The current payout is coming in at just under 2.5% per year.

Outgoing CEO Howard Schultz unveiled a multifaceted "Reinvention Plan" in October 2022, in which the company will make targeted investments in its partners, customers, and stores. He also introduced the company's new CEO, Laxman Narasimhan, who previously served as **PepsiCo's** chief commercial officer.

If everything goes as planned, Starbucks will work towards further penetrating its massive global markets. With just under half of its stores currently located in the United States, global expansion should drive accelerated top-line and bottom-line growth in the coming years.

### CATEGORY

1. Investing

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