2 High-Potential Growth Stocks You Can Buy With $5,000

Description

So much for the Santa Rally, with the broader stock markets adding to last week's losses over growing fears of the recession that's likely just months away. It's hard to remember the last time investors (and pundits) were this bearish.

Undoubtedly, the market crash and recovery of 2022 happened so fast that investors didn't have a chance to feel too much of the pain, unless they gave in during the heat of the panic and sold at a loss.

In many ways, this 2022 bear market feels a lot more painful than the 2020 plunge and the short-lived recession that followed. Though 2023 may see some relief, it's clear that the dip buyers are exhausted. We, as self-guided investors, have been conditioned to expect quick recovery gains from buying the dip. But this year has shown that bear markets can really drag and test one's patience and psyche.

Though it's mostly been bad news, I think investors should continue buying the names on their watchlists if they see value. Sure, a recession could cause more pain, with even the bluest blue chips on the TSX Index or S&P 500.

Volatility continues to weigh on investor sentiment

That said, long-term investors need not panic over coming month-to-month volatility. And just because the damage has been concentrated in high-growth stocks doesn't mean they're to be avoided at all costs. In fact, I think growth carries some of the bigger bargains right now.

Many growth stocks have been punished so much that they may actually be cheaper than their defensive counterparts, which have been flocked to in recent quarters as some sort of safe haven from market volatility.

Remember that not all growth plays are built the same.

Some are positioned to recover from this plunge. Others may not be able to. It's your job as an investor to differentiate the names that are babies with the bathwater and pass on the names that lack fundamentals or a game plan to turn the tides ahead of another rough year.

With Tax-Free Savings Account (TFSA) top-up season just weeks away ($6,500 contribution limit for the new year), I think growth plays would be fine additions to a young investors' portfolio. Even if you can't make the full $6,500 contribution (let's say you can only contribute $5,000 this year), there are many growth plays that could give you a good risk/reward tradeoff.

Consider shares of **Alimentation Couche-Tard** (TSX:ATD) and **Shopify** (TSX:SHOP), a defensive growth stock and a risk-on, speculative e-commerce play. Couche is near all-time highs, while Shopify is trying to recover after an 82% or so plunge.

Couche-Tard and Shopify: Great growth buys together

Couche and Shopify couldn't be more different. Couche-Tard is a Steady Eddie that's grown its earnings at a steady pace through a turbulent past few years. Undoubtedly, Couche is the epitome of low-volatility growth. On the flip side, we have Shopify — one the hottest pandemic stocks that's now feeling a bad bout of indigestion, as investors continue to ditch their high-growth plays.

Couche stock trades at 15.98 times trailing price to earnings (P/E), while Shopify lacks a P/E multiple. Though you could still value Shopify stock by price to sales, doing so, I believe, doesn't give a good gauge of downside risks in the type of rising rate world we find ourselves in.

In that regard, Shopify stock is really hard to value, given the unknowns ahead and question marks surrounding its new valuation.

Though I'm a fan of the management team and the firm's longer-term growth runway, I'd pair such a risk-on growth play with the likes of a Couche-Tard. That way, you'll be able to fare well, regardless of how hard the 2023 recession will be or how many more rate hikes stocks will be slapped with.

In short, Couche and Shopify are a one-two combo I'd look to scoop up with an extra $5,000 (or $6,500 if you can make the full contribution) in TFSA funds.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:SHOP (Shopify Inc.)

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. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/08/13
Date Created
2022/12/20
Author
joefrenette