



## 2 Growth Stocks Set to Soar Next Bull Market: Should You Buy Now?

### Description

The **BlackRock** website describes that **iShares Canadian Growth Index ETF** provides “exposure to large and mid-sized Canadian companies whose earnings are expected to grow at an above-average rate relative to the market.” So, it could be a good idea to explore its holdings for potential growth stock ideas. Canadian investors can even find potential hidden gems among the lesser-held stocks in the basket of about 40 stocks.

Here are two [top growth stocks](#) that could soar in the next bull market.

### Brookfield Corporation

**Brookfield Corporation** ([TSX:BN](#)) is the third-largest holding in iShares Canadian Growth Index ETF. The stock has been in a correction even before it spun off its asset management business this month. The growth stock continues to sell off after the spinoff for various reasons.

First, we’re likely in the contraction phase of the equity cycle. This means interest rates are high, and the stock market is pressured. Because the macro environment is like this, Brookfield stock also feels a part of the pain, as it participates in the cycle.

Brookfield is the kind of growth stock that’s sensitive to the economic cycle. For example, in the last recession during the pandemic market crash in 2020, the stock lost more than 40% of its value from peak to trough.

Second, the stock price partly shrunk from the spinoff, because a piece of the original business now trades separately as **Brookfield Asset Management** on the TSX and NYSE. Since the spinoff, BN stock is down about 15%.

Third, tax-loss-selling season is still in play. Investors can trade through Dec. 28 to book losses to offset capital gains for the year. For reference, the stock is down about 30% from the 2021 peak.

The company has a perpetual capital base of roughly US\$125 billion, generating US\$5 billion of free

cash flow each year. It has a strong track record of execution. Essentially, the harder it falls now (due to market volatility), the higher probability it will make a super comeback in the next [bull market](#).

## Canadian Tire

I find it interesting that **Canadian Tire** ([TSX:CTC.A](#)) is a small holding in the growth index exchange-traded fund right now, because it's not a growth stock like Brookfield. Instead, at the recent quotation of \$142.19 per share, it's a value stock that's discounted from a long-term perspective at about 8.3 times earnings. It has the potential to grow with price appreciation primarily from valuation expansion when the right operating environment sets in.

Because Canadian Tire predominantly sells durable goods, it typically does poorly during recessionary environments (relative to other economic environments). That said, it has increased its dividend for about a decade. And since its payout ratio is estimated to be about 36% of earnings and its earnings per share should be decently resilient, the [dividend stock](#) should have no problem keeping its dividend safe.

Canadian Tire has an investment-grade S&P credit rating of BBB. It's not your typical growth stock. Instead, it's a contrarian value pick that can deliver decent price appreciation (growth for your portfolio) over the next three to five years while paying a nice yield of close to 4.9% right now.

## The Foolish investor takeaway

Brookfield and Canadian Tire provide different sources of growth. Brookfield has growth potential from its business, and its valuation is in an expansion phase. Canadian Tire provides a juicy dividend yield while offering a turnaround opportunity when the business cycle turns. Both can deliver sizeable price appreciation over the next three to five years.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BN (Brookfield)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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