Buy Before the Bull: 2 Stocks That Could Hit the Ground Running

Description

I'd much rather be a buyer of stocks after a brutal year like 2022, when everyone is feeling a bit down from the bear than after a euphoric 2021. Indeed, the tables have turned in a big way over the past year! One year ago today, markets were riding high, just days away from a vicious, year-long bear market.

In this piece, we'll have a look at two discretionary stocks that could take off once the new bull lands. Nobody knows when the bull will make a comeback. Those who are too early to the party could be dealt steep losses. With that in mind, long-term investors may wish to consider the following if they're willing to take on more risk for a shot at outsized gains over the next three to five years.

Sleep Country Canada Holdings

Sleep Country Canada Holdings (TSX:ZZZ) isn't exactly the type of stock you'd want to buy in the face of a downturn. Doing so could negatively impact your night's sleep! Still, it seems like a lot of investors have already parted ways with the Canadian sleep giant. The stock has been a groggy performer this year, down almost 40% year to date.

Looking ahead, there are modest expectations in the cards, as the firm looks to sell big-ticket merchandise like mattresses and bed frames in the face of a challenged consumer. Though mattresses entail a hefty sticker price, I think many are discounting the firm's efforts to reduce its dependency on big-ticket items. The firm isn't just a mattress retailer; it sells cheaper products like pillows, sheets, and all the sort — all of which could experience less economically tied demand.

At the end of the day, mattresses are an investment in one's health. One can only delay a purchase for so long. In a post-recession world, I view Sleep Country as a company that could boom very quickly, as postponed purchases are met in a concise timespan. At 8.8 times trailing price to earnings (P/E), the margin of safety seems high.

I'm a big fan of Sleep Country, as it looks to maintain its competitive dominance through a period of macro choppiness. The 3.73% dividend yield is a nice incentive to buy while the name's down 44%

from its peak.

Canada Goose Holdings

Canada Goose Holdings (TSX:GOOS) sells expensive parkas and other outerwear that doesn't tend to fare well in tough times. This winter has been incredibly cold, with strong blizzards passing through the country, delaying various flights and causing trouble in certain localities.

Don't count on the breezy season to beef up demand for upscale parkas, though. The Canada Goose brand is more of a status symbol that an investment in a quality piece of outerwear to keep you warm. There are cheaper options out there. In that regard, investors have been quick to ditch the stock amid slumping growth.

The stock has shed 75% of its value from all-time highs. Looking ahead, I expect international growth (think China) could be key to next-level growth in a post-recession economy. At 31 times trailing P/E, GOOS stock remains a risk-on play, but one that could accompany huge rewards in a new bull market.

My takeaway? If you can stomach the risks and put in the extra homework, the name is worth consideration.

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