2 Canadian Stocks Ready for a Rebound

Description

It's been a treacherous past year for Canadian stocks, especially those that aren't yet pulling in a profit. Indeed, most of the damage has been concentrated in the U.S. financial markets, with the Nasdaq 100 losing a third of its value in what seemed like a hurry.

Though the bear market has been "taking the escalator" down rather than the elevator, like in February and March of 2020, the slow and steady descent has left little room for investors to make a quick buck from buying on the way down.

In this piece, we'll have a look at two stocks I think are well positioned to rally from here. They've been under pressure for quite some time and could be in a spot to make up for lost time, even if 2023 ends up a red year, just like 2022.

Canada Goose

Canada Goose (TSX:GOOS) is a luxury outerwear maker that has one of the best emerging brands on the planet. Canada Goose is the gold standard when it comes to parkas. With such hefty sticker prices (think $1,000) on their flagship parkas, though, one can only imagine how tough it'll be to sell to affluent and middle-class consumers when times are tough.

Indeed, Canada Goose is a discretionary. And with that comes extreme sensitivity to the market cycle. Given the nature of this recession (it seems to be targeting white-collar jobs), we've heard terms like "rich-cession" being thrown around by various clever headline crafters. Such a recession does not bode well for the maker of luxury goods. By lowering prices, Canada Goose risks eroding its brand power. In any case, it'll be tough to take off, as the Goose finds itself in the crosshairs of a nasty downturn.

Sure, things look bad, but the stock has already shed around 75% from peak to trough. I think a rich-cession is baked in and would look for the stock to power higher once the bear market ends. At 37.7 times trailing price to earnings (P/E), GOOS stock ain't cheap! But it doesn't deserve to be.

Gildan Activewear

Gildan Activewear (TSX:GIL) is more of a value play than Goose. But it's just as damaged, and undervalued in my opinion. The stock trades at a mere 8.7 times trailing P/E after pulling back more than 23% from its 2021 peak. Indeed, Gildan is behind generic "essential" articles of clothing that won't command a hefty premium. Regardless, it's tough to top Gildan when it comes to such commoditized clothes. It can keep costs low while retaining a certain standard of quality customers expect.

With a 2.5% dividend yield and a fairly durable business, I think 2023 could be a brighter year after a horrid 2022. During the company's third-quarter round of earnings, earnings took a hit to the chin — nosediving around 18.7%. Despite the growth hit, margins looked pretty stable. Indeed, it's been a forgettable few quarters for the firm.

For those seeking value over the long haul, it's tough to top the name at these depths.

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