2 Unassailable Earnings Growth Stocks for a Wobbly Economy

Description

Many new investors have been preparing for the 2023 recession, with a rush to so-called "value" names at the expense of growth plays. Indeed, higher rates have knocked hyper-growth right off the podium. With the wobbly economy sending stock markets in both directions, many investors may be inclined to wait it out. Markets don't tend to bottom out even before recessions arrive, after all.

Further, the 25% in peak-to-trough downside on the S&P 500 is quite mild compared to most historical recession-hit bear markets. Undoubtedly, many expect a mild downturn up ahead for Canada's economy. But there's also a chance, albeit potentially slim, that Canada can land on its feet after a few months of negative GDP growth.

Finally, there are a few out there that see no recession in sight. If that's the case, the bearish moves made by markets last year could prove completely unwarranted and set the stage for a nice bounce through 2023.

With that in mind, we'll have a glance at two top-notch growth stocks that I think will be tough to derail, even if a recession hits this year. Their growth stories are strong enough to outlast recession headwinds, especially mild recession headwinds!

Aritzia

Aritzia (TSX:ATZ) is more than just a women's clothing retailer. It's one of the quickest-emerging fashion brands in Canada. With the firm setting its sights on the U.S. market for growth, I couldn't be more bullish. Indeed, a recession could curb demand for upscale clothing through 2023. That's no surprise for a discretionary retailer. However, longer term, I don't think there's any stopping Artizia as it looks to make a splash in the states.

Aritzia's early move into the U.S. market has been quite encouraging. In the latest quarter, Aritzia clocked in strong sales numbers despite headwinds ranging from inflation to other macro headwinds weighing on disposable income. Net revenue surged 38% year over year to $624.6 million. That's a record in the midst of a wobbly market environment!

Topping off the quarter, CEO Jennifer Wong said she doesn't see "any notable changes in behaviour" of customers. Without a doubt, there are macro headwinds; it may be that Aritzia isn't feeling them because its brand is that powerful. Even at 30.2 times trailing price-to-earnings (P/E), I remain a fan of the name and think its growth can lead it higher in a rough year for the economy.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD) is a convenience retailer that's also behind a market-crushing stock. Over the past year, the name is up around 25%. On a hot Thursday for stocks, though, ATD pulled back by 2.2%. Evidently, consumer staples cooled off as investors rotated back into risk. I think the dip is unwarranted. Couche-Tard isn't just a staple; it's a defensive growth stock whose earnings will power shares higher.

At 16.2 times trailing P/E, I don't believe the magnitude of growth and acquisition power is factored in. Further, there's always a chance that a recession could be moderate rather than mild. In that case, ATD stock ought to be viewed as a staple for your portfolio.

In any case, it's business as usual for Couche, as it looks to grow its store count globally.

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