Examples of “Why the author likes each Stock”

The 15 Best Stocks to Buy for the Rest of 2022

-Kiplingers

Amazon (AMZN)

Amazon.com (AMZN, $106.22) made news this year by undergoing a 20-for-1 stock split**.** But the optimism of that announcement has quickly faded as the shares have slumped. AMZN stock is now trading by more than 40% below its all-time highs and has given back most of its COVID-era gains. The shares are only marginally higher than they were in the summer of 2018, four years ago.

But here's the thing: This isn't the first time Amazon has taken a tumble. The shares dropped by more than 30% during the late 2018 market correction and lost a quarter of their value or more in 2011, 2014 and 2016. And then, of course, there was 2008, where the shares lost nearly two-thirds of their value.

Every time Amazon hit a rough patch, it came back stronger. Naturally, today's Amazon is a larger, more mature company than the brash internet startup it used to be. It's also struggling with growing pains typical of a company its size, such as labor unrest and political pressure.

But let's ask ourselves a couple questions: Do you buy more or less on Amazon today than you did five years ago? And do you expect that you'll be buying more or less five years from now?

Apart from being the leading internet retailer, Amazon remains the No. 1 player in cloud computing servicers via its AWS platform.

The shares trade at 2.3 times sales. That's marginally lower than the S&P 500, at 2.4. However, while that's not "cheap" in a traditional value sense, it's a six-year low for Amazon … and that might be an attractive entry point in what could be one of the best stocks to buy for the rest of 2022.

Alphabet (**GOOGL**, $2,142.87) also recently announced **a 20-for-1 stock split**. This will take the shares down to the low $100s based on current prices.

Alphabet's stock split has received a lot of media attention. But the split, while potentially making the shares easier for smaller retail investors to own, is more of a sideshow. The far more compelling story is that of a wildly profitable technology giant trading at a deep discount to its recent highs.

GOOGL's shares are down by about a quarter from their late 2021 highs and were recently down by just shy of a third. This erased more than a year's worth of gains.

Even after the tumble, Alphabet's shares are not "cheap" in strict value sense, as they trade hands for over 5 times sales. But that's down considerably from a price-to-sales (P/S) ratio in the 8s over the past year or so. And if there was ever a stock to justify a multiple like that, it would be Alphabet**. Despite the company's gargantuan size, it still enjoys quarterly revenue growth that regularly tops 20% and a fat return on equity (RoE) of over 30%.**

One more thing about that P/S: GOOGL shares have only dipped to these levels a handful of times in the Alphabet's history as a public company. And every time they did, they came roaring back.

PayPal Holdings (**PYPL**, $72.90

- **Industry:** Credit services
- **Market value:** $84.4 billion
- **Dividend yield:** N/A

Anything even remotely related to **fintech** or distributed finance has had a terrible time in 2022. And some of this weakness is justified. While the financial sector is ripe for transformation, the speculation in cryptocurrencies got out of control. El Salvador essentially called the market top in Bitcoin by making it legal tender in September of last year. It peaked two months later and has been in freefall ever since.

But here's the thing. The baby was thrown out with the bathwater. Yes, cryptocurrency might not quite be ready for primetime. But the world of finance is still very much ripe for disruption. And **PayPal Holdings** (**PYPL**, $72.90) is one of the best-established players in this developing new ecosystem.

Apart from PayPal's own namesake payment system that is ubiquitous on websites, the company also owns the popular Venmo mobile app. Venmo is the preferred payment app for many young people and is popular with gig workers.

PayPal's shares are now down more than 75% from their recent highs and trade for 3.7 times sales. That's the cheapest they've been in PayPal's entire history as a public company!

If you're not interested in buying a company when it's marked down by 75%, then frankly, when are you ever going to be interested in it?

Allbirds (**BIRD**, $4.71).

- **Industry:** Apparel retail
- **Market value:** $699.2 million
- **Dividend yield:** N/A

Let's step away from Big Tech for a minute.

2021 was a big year for **initial public offerings (IPOs)**, but many of the stocks that went public last year have really struggled in 2022. As a case in point, consider the shares of eco-friendly shoemaker **Allbirds** (**BIRD**, $4.71).

Allbirds manufacturers and markets athletic and casual shoes made primarily out of wool and plant-based materials. The company even developed a "carbon-negative" foam to be used in its shoe soles, meaning that the production process actually removes carbon dioxide from the atmosphere rather than adding to it.

It's a novel company selling trendy, popular shoes that recently became available in Nordstrom stores. Yet none of that seems to matter in 2022. The shares are currently more than 80% below their 52-week highs, and roughly 70% below their $15 IPO price.

BIRD is more speculative than many of the other best stocks for 2022 covered here. It has a market cap of less than $700 million and is not yet profitable. But it's worth noting that institutional investors have a preference for **companies with strong environmental credentials**, and **it's hard to find too many companies with stronger environmental bona fides than Allbirds.**

And with a market cap as low as Albirds' current valuation, the company could also be a takeover target for a traditional apparel retail name looking to boost their image.

Dutch Bros (**BROS**, $33.32).

- **Industry:** Restaurants
- **Market value:** $1.8 billion
- **Dividend yield:** N/A

Dutch Bros (**BROS**, $33.32). Founded in 1992, Dutch Bros is an operator and franchisor of drive-through coffee shops specializing in espresso-based drinks. As of year-end 2021, the company had 538 locations spread across 12 states. **And it plans to open at least 130 stores by the end of this year.**

This is a tough environment for companies in the food and drinks business. Labor is expensive and hard to come by, and inflation has been unrelenting. And there is the broader risk that the combination of a slower-growing economy and rising prices will cause consumers to pull back.

That might be true, but expenditures on little luxuries such as premium coffee tend to be pretty recession-resistant, as they offer a cheap escape from life's frustrations.

BROS stock is currently sitting about 60% below its 52-week high set shortly after its late 2021 IPO. It also trades at 3.3 times sales. That's a reasonable valuation for a high-growth company looking to increase its store count by 24% this year

Nvidia (**NVDA**, $158.80)

- **Industry:** Semiconductors
- **Market value:** $397.0 billion
- **Dividend yield:** 0.1%

Here's a sobering comment for you. Intel (**INTC**) CEO Pat Gelsinger recently said that he expects the semiconductor shortage to last well into 2024. So, it you were hoping for a quick resolution ... well, don't.

The tightness in the chip market is a major source of frustration for makers of everything from cars to home appliances, and it has been a contributing factor to the inflation inferno that's been raging out of control for all of 2022. But it also presents an opportunity for **leading chipmakers** to boost output and take advantage of strong pricing.

Leading graphics processing unit (GPU) maker **Nvidia** (**NVDA**, $158.80) **is particularly interesting here because its chips are critical to some of the biggest trends in computing today, including artificial intelligence, autonomous driving and cloud computing.** We might see a recession this year; we might not. It certainly can't be ruled out. But regardless, the trends driving Nvidia's growth remain firmly in place. In fact, investment in artificial intelligence and cloud computing might actually accelerate in a recession as a way to cut labor costs.

Nvidia is insanely profitable for a hardware company, with an RoE of 42% over the past year and net margins of 32%. Those are software numbers from a hardware stock!

NVDA shares have been more than cut in half since late 2021, and we can't know for sure when the bleeding will stop. But the business has never been stronger, and it's not unreasonable to expect Nvidia to swing back and become one of the best stocks to buy for the rest of 2022.

Lowe's (**LOW**, $172.47).

- **Industry:** Home improvement retail

- **Market value:** $110.2 billion
- **Dividend yield:** 2.4%

Houses are wildly expensive these days for a host of reasons, but at the end of the day it really comes down to supply and demand. The supply of new homes has simply not kept pace with demand due to natural population growth and to the millennials finally settling down and starting families.

At the same time, soaring mortgage rates have made already expensive homes all but unaffordable to a lot of would-be buyers. This creates challenges. But it also creates opportunities for hardware and home good stores like **Lowe's** (LOW, $172.47). Homeowners, and particularly millennial homeowners, have been investing in their homes**. Fully 75% of millennial homeowners started a home improvement project during the pandemic.**

But even in the post-pandemic world, demand for home improvements has remained strong. Many new homeowners are choosing to buy older homes as the inventory of new homes has simply not been able to keep up with demand.

Lowe's is down about 35% from its highs, and at current prices, shares trade hands for 14 times earnings and yield 2.4%.

About that dividend: Lowe's just raised it by 31% last month. There's no greater sign of confidence by management than an aggressive dividend hike. Companies have a natural tendency to hoard cash, so they're generally not willing to part with it via dividend payments unless they see a lot more coming in to replace it.

Lowe's clearly is confident on that front: LOW is a **Dividend Aristocrat** with nearly half a century of uninterrupted payout hikes behind it. So if you want to bet on a second-half rebound *and* put a dividend grower in your pocket, Lowe's is one of the best stocks to buy for the remainder of 2022.

Home Depot (HD, $270.73)

- **Industry:** Home improvement retail
- **Market value:** $278.2 billion
- **Dividend yield:** 2.8%

If Lowe's is a Buy, then it only makes sense to give rival **Home Depot** (HD, $270.73) a good look too.

HD shares have really struggled this year and are now down by about 35% from their highs. We should look at this recent setback as a buying opportunity in one of greatest success stories in the history of American retail.

Inflation is a worry, and justifiably so. Investors worry that inflation – and the higher mortgage rates that come with it – will deter home buying and major renovation projects.

Home Depot is not impervious to these forces, of course. **But it's hard to see inflation having a meaningful impact on smaller do-it-yourself projects. And the demographic trends supporting the housing market – namely the family formation of the millennials – are durable and should help to balance any weakness due to rising mortgage rates.**

Prologis (PLD, $110.36)

- **Industry:** Real estate (industrial)
- **Market value:** $81.7 billion
- **Dividend yield:** 2.9%

The aforementioned Amazon.com is just about unstoppable. It's all but inevitable that a greater and greater percentage of commerce will be happening online.

That means that demand for the logistical real estate that supports e-commerce is also unstoppable. And that brings me to **Prologis** (PLD, $110.36), a **real estate investment trust (REIT)** specializing in exactly those types of properties. **Prologis owns and operates more than 4,600 buildings with an astounding 1 billion square feet of space. And it's all about to get even bigger considering that Prologis just agreed to acquire its largest rival in the industrial space, Duke Realty (DRE).**

Prologis' shares have struggled in 2022, down about 35% from their 52-week highs. REITs tend to be interest-rate sensitive, and the Fed's aggressive rate hikes certainly haven't helped. Yet Prologis' dividend yield, at 2.9%, is the highest it has been in years, and the company's business prospects have never been brighter.

Target (**TGT**, $139.30)

- **Industry:** Discount stores
- **Market value:** $64.6 billion
- **Dividend yield:** 3.1%

During the first half of 2022, retail powerhouse **Target** (**TGT**, $139.30) unwittingly became the poster child for everything plaguing the economy. The company's inventory, which was weighted heavily to home goods, electronics and other items popular during the pandemic, suddenly made a lot less sense when consumers were diverting more of their expenditures on travel, experiences and new office clothes. This forced Target to mark down a lot of its inventory and slash its orders, which didn't exactly send a signal of confidence.

And naturally, the inflation that is wrecking the economy hasn't spared Target or its consumers. Target's costs are rising at a time when its middle-income consumers are strapped for cash and can't absorb cost hikes themselves.

Amid the doom and gloom, Target's share price is down by nearly half from its 52-week highs.

But here's the thing: Target's management clearly isn't too concerned about its outlook. The company just raised its dividend by 20%. This tells me that they believe their current travails to be a mere bump in the road.

Meanwhile, the shares are cheap, trading at just 12 times earnings. Target would seem like a safe bet as a turnaround in the second half of the year.