



All I Want for Christmas Is Fairfax Financial Holdings Ltd.

Description

Fairfax Financial Holdings Ltd. ([TSX:FFH](#)) has been on a roller-coaster ride all year. There's no question that investors are getting sick from all this volatility because the stock has pulled back a whopping 18% from its September high.

Fairfax Financial CEO Prem Watsa is a bearish investor. Fairfax Financial is fully hedged against a market downturn, and investors were piling into the stock before the results of the U.S. presidential election. Investors hate uncertainty and many pundits said there would be a nasty correction in the books if Donald Trump won.

Donald Trump won, but there was a huge rally—not a crash that so many experts were expecting. Just like that, investors started buying into stocks again and jumping out of shelters like Fairfax Financial or bond funds.

It's never a good strategy to time the market, and those who wanted to play the election got burned badly. I mentioned in a previous article that Fairfax Financial was overvalued and could be ripe for a correction, and I believe that correction has run its course. The stock is now quite cheap since it has fallen out of favour with investors who are bullish on stocks all of a sudden.

As the brilliant Warren Buffett used to say, "...be fearful when others are greedy, and greedy when others are fearful." Right now, investors are greedy with the Trump rally continuing into 2017, so it's time to be fearful and start buying shares of shelter stocks like Fairfax Financial, because as we all know, the bears will be back again, but by then, shares of Fairfax will be expensive and not ridiculously cheap like they are right now.

Fairfax had a number of its investments fall in the last quarter, and Prem Watsa's big bet on deflation isn't going to happen anytime soon.

The U.S. economy is picking up thanks to President-elect Donald Trump's pro-business policies. He wants to cut corporate taxes and put deregulatory measures in place in the effort to make America great again. I believe his strategy will work, and both the U.S. and Canadian economies will strengthen over the next few years.

Fairfax Financial made a huge move to get in on this improved U.S. outlook by buying **Allied World Assurance Co Holdings, AG** for \$4.9 billion. Prem Watsa is making a big bet that U.S. economic growth will accelerate next year, and I believe this is a terrific move that will steer the company in the right direction.

The stock trades at a ridiculously cheap 1.2 price-to-book multiple. The stock has fallen way too much, and I believe value investors can get this stock for an absolute bargain right now.

CATEGORY

1. Investing

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1. Editor's Choice

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