Revealed: When Bad News Becomes Good News, Here's the #1 Stock to Own

Description

If you want to do well in the markets over time, you're going to need to get used to volatility in these uncertain times of economic warfare. The more short-term pain that you can endure, the more significant your long-term gains could become. That doesn't mean you should chase the sexiest, highest-beta stocks on the market though.

All you need to do is stay the course regardless of what Mr. Market throws at you. In the end, your long-term investment success is less about timing the market and more about time *in* the market. It's as simple as holding boring companies that have the means to increase their earnings through good times and bad.

The case for buying boring stocks

In aggregate, corporate earnings will come under due pressure thanks to a wide number of pressures that may entice the U.S. Fed to cut interest rates by as much as 50 bps. Jay Powell may have hiked rates by one too many times last year, and as more companies point the finger at the U.S.-China trade dispute for their quarterly shortcomings, all of a sudden bad news became good news.

More reasons for Powell to cut U.S. rates is reason enough to fuel the market higher. And although it's tempting to "play the odds" as many traders have been doing of late, I think it's a wiser decision to re-balance your portfolio with a longer-term mindset.

What do we know?

If interest rates stay are cut or held static for a longer-term time horizon, stocks are "ridiculously cheap" right now, according to Warren Buffett.

While some of the "sexy plays" like **Shopify** are anything but cheap, there is a treasure trove of incredibly boring, low-beta earnings growers that may be undervalued beyond proportion.

When boring becomes beautiful

A potential slowdown to corporate earnings is bad news for firms but potentially good news for the broader market.

Investors are hoping for bad news to come to all the stocks they don't own, and in an environment like this, it pays dividends to look to predictable, defensive earnings growers that have a strong track record of growing EPS numbers through times of subtle economic hardship.

As the earnings continue to grow quickly for defensive names while the rest of the market frets on the earnings of other more economically sensitive companies, such defensive names will get a double dose of "rally fuel."

It doesn't get any more boring (or cheap) than this

Consider **Alimentation Couche-Tard** (TSX:ATD.B), a boring convenience store owner and operator that has an incredibly dull, low-tech business that few seem to be excited about.

The last quarter (Q4 fiscal 2019) showed temporary headwinds (poor weather, higher expenses for growth initiatives, etc.), but management remained confident that it can grow net income by 100% over the next five years, and comps numbers for the quarter were nothing short of encouraging in spite of the slight earnings miss.

Shares of Couche-Tard pulled back in the ensuing trading sessions, marking the end of what's been an extraordinary rally in the first half. At the time of writing, Couche-Tard has now corrected 10% and is nothing short of an incredible buying opportunity for those who dare to bet against Bay Street analysts who've downgraded the stock in droves over excessive capital appreciation.

Yes, Couche-Tard was a hot stock in the first half, but it has way more room to run, and I think the recent analyst-downgrade-driven sell-off is a gift in this kind of market environment. The stock trades at just 18.8 times trailing earnings, and given the company is realistically capable of doubling profitability within five years, I believe the analyst downgrades are tailored more towards traders — not long-term investors.

Over the coming quarters, I expect Couche-Tard's temporary headwinds to subside, and EPS numbers will continue to dictate the positive trajectory of the stock, as management continues finding the perfect blend of both organic and inorganic growth.

As the economy grinds to a slowdown, I expect a combination of rate cuts and robust earnings growth numbers will bring Couche-Tard to $100 within the next year.

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