Bargain Hunters: 2 Attractive Stocks to Buy on Weakness

Description

While a number of stocks have already seen a pullback on increasing risk this week, the sell-off should be limited for quality stocks in the long run. These include the mighty **Enbridge**, which, despite being one of the country's widest economic moats, has weakened on news of the CER's hold on its Mainline network.

The Big Five also offers discounted stocks right now. **TD Bank**, for instance, fell after news that its online brokerage arm, **TD Ameritrade**, had followed **Charles Schwab** into the zero-commission zone. TD stock was down 4.65% at the time of writing, while TD Ameritrade itself was down 27% on average for the week after the surprise announcement. Charles Schwabm, meanwhile, was down 15.25%.

Avoid falling knives and buy quality

Checking out the share price for **Resverlogix** for its five-day average on Monday morning, a would-be investor would have seen that the pharma stock had ditched 50%. However, checking back in midweek, the stock has bounced by 36%. This is extreme price volatility, and while it's attracting the attention of momentum investors, it's not a low-risk, long-range play in the pharma sector.

An alternative for a weakened stock in the specialty pharma space might be **HEXO** (TSX:HEXO)(NYSE:HEXO). The cannabis stock has pulled back after the company lost its CFO — the second key management figure to leave the company this year. Down 4% at the time of writing, HEXO could be a buy for patient cannabis investors who have been eyeing the stock for a dip.

While the next round of legalization will introduce a whole range of investment ideas, the window for upside could be closing. Indeed, with the vaping controversy weighing on Cannabis 2.0, it might even be better to sidestep the new marijuana asset classes and stick with stable growth. HEXO's stakes in the CBD and medical marijuana markets could make for a tasty investment once its share price bottoms out.

A downturn would offer increasing value opportunities

If the markets decline and a bear market finally emerges, it may be time for low-risk contrarians to start using a dollar-cost strategy, pumping a set amount into the market each month no matter how dire the headlines. While cannabis may be too risky an area for such an investment plan, big names trading at deep discounts remain strong options.

Doubling down on wide-moat market leaders such as Enbridge during that kind of economic environment would be a strong long-term play, which would pay off once the markets rebound again. Low-risk investors should therefore start identifying defensive stocks such as key utilities, healthcare, and infrastructure assets with attractive fundamentals and draw up a bear market wish list ahead of time.

The bottom line

Building up a war chest during tough times is a strong move for long-term capital appreciation. It also keeps the markets stimulated, and can add passive income through dividends, allaying some of the financial worries that a downturn brings. Sticking with market leaders in classically defensive sectors reduces risk and goes some way to assuring income in a bear market.

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