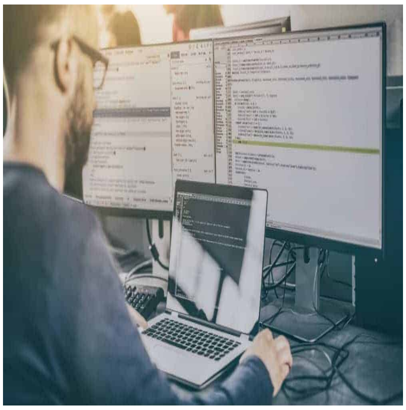

Canadians: This Top Stock Didn’t Deserve to Take a Beating Last Week

Description

Last week was the worst week since the Financial Crisis, knocking the U.S. and Canadian stock markets from all-time highs into that ominous area between correction territory and a bear market. With the S&P 500 now down around 13% from the top, many investors are undoubtedly questioning whether or not we’re in the last weeks or months of this bull market’s life or if it’s a run-of-the-mill correction that’s to be bought.

Given how sharp the decline was last week, it’s understandable that many investors, even long-term thinkers, are now a bit rattled. We know that corrections are bound to happen around every year (plus or minus a few months) and given pricey stocks have become over the last few months, many of us knew we were long overdue for a pullback. Unlike most past corrections, though, the one suffered last week was horrifyingly steep, putting the pain tolerance of many investors to the test.

If you got a bit too greedy with buying the dip earlier last week with the expectation of a V-shaped rebound, you took a one-two hit to the chin. But if you’re still standing, with the ability and willingness to continue buying on the way down, there are ways to mitigate your downside risks amid this falling knife of a market.

Rather than looking for stocks with the most near-term upside, like **Air Canada**, which took on a brunt of the damage, look to the stocks that didn’t deserve to take a beating but received one nonetheless. We’re talking about stocks of businesses that are less exposed to the devastating impact of the coronavirus (COVID-19), which caused this market to crumble like a paper bag just five trading sessions.

Alimentation Couche-Tard (TSX:ATD.B) is a defensive convenience store retailer that shed as much as 10% last week amid the vicious pullback that spared few names in the sea of red that was the global equity markets.

Amid what could be a global pandemic, you're going to want to avoid places where people tend to crowd. That means brick-and-mortar retailers, but Couche-Tard is one physical retailer that I believe didn't deserve to be hit as hard as it did last week.

Don't follow the crowd!

Even if the outbreak were to get worse, people would still need to go shopping for food and the bare necessities. I'd argue that it makes more sense to go to the local Couche-Tard, which is more likely to have smaller crowds than that of a supermarket. Moreover, as one of the rare consumer staple stocks on the TSX, Couche can better hold its own should we finally fall into the global recession that we've been worried about since this bull market began!

Foolish takeaway

Couche knows convenience like few others in the business. And when times get scary, like they are right now, the convenience of being able to grab a small mini-haul of must-have items without having to stand in a massive line for several minutes, I believe, will be more sought-after by those seeking to minimize their exposure to large crowds.

After the recent hit, Couche trades at 17.6 times next year's expected earnings, which is a ridiculously low price to pay for a global growth king that's capable of growing its top line by over 20% per year and meeting management's ambitious goal of doubling profitability in five years.

Couche will probably still take a beating, as the appetite for stocks falls off a cliff, but I'd say it's a buyable dip, given the stock is less likely to face substantial downside revisions should things get uglier.

Stay hungry. Stay Foolish.

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Date
2025/07/05
Date Created
2020/03/02
Author
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