A Top Stock to Buy Now Before the Market Corrects to the Upside

Description

The volatility has been off the charts of late, but as you may know, volatility goes both ways, and so too do corrections.

The U.S. markets suffered the sharpest correction in recent memory last week. It was an absolute bloodbath on Bay and Wall Street, with no signs of a bottom amid mounting fears that the deadly coronavirus (COVID-19) will continue its spread across the globe, potentially triggering the next recession.

There's no question it was scary in the heat of the moment last week, especially if you're an older investor who may not have enough time to recover from another crisis-driven market meltdown. If you sold on the dip because your stomach couldn't handle the off-the-charts moves, or if you were expecting the pain to continue into this week, you missed out on what could have been the two best rallies (or upside corrections) you'll see all year, with the **S&P 500** bouncing 4.2% on Wednesday.

If you got hit with the downside correction but missed the upside correction, you'll probably have to buy back into the market at higher prices should the bottom be in and stocks end up recovering from their worst week since the crash of 2007-08. It's a shame for beginner investors who acted on fear, but the costly mistake still serves as a valuable lesson that acting on emotion and trying to time the markets is a fool's (that's a lower-case *f*, folks!) game.

There's still plenty to buy!

Fortunately, for those who missed out on the massive rally in U.S. stocks, there are still plenty of severely undervalued bargains here on the **TSX Index**, which is lagging the upside correction exhibited by the U.S. markets. The S&P 500 and TSX are currently up 9.2% and 5.3%, respectively, from their last Friday intraday lows, correcting upwards after the panic-driven market sell-off got became overblown.

With a far more muted upside correction in the Canadian markets, I'd look to Canadian stocks that have yet to participate (or haven't participated nearly as much as U.S. stocks) in the broader bounce back in the global markets. Consider shares of **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), which are still hovering around 52-week lows, with a meagre 0.7% bounce on Wednesday, which is dwarfed by the massive triple-digit moves posted by your average stock.

Investors are warming up to the recent 50 bps rate cuts by the Fed and the Bank of Canada, but easier monetary policy doesn't change the fact that we're in the middle of what could be a detrimental biological crisis. That still means travel, leisure, and restaurant stocks are still in the cross-hairs, but given the magnitude of the recent downward move, where does one draw the line and step in as a contrarian?

Restaurant Brands stock is now down 27% from its August 2019 all-time high, with a 3.7% dividend yield, the highest it's ever been. Despite the sustainable double-digit growth rate, the stock trades like a stalwart, with a 14.3 times forward earnings multiple, making the name one of the cheapest contrarian bets after the recent panic-driven sell-off.

The bear thesis on restaurant stocks is that consumers will actively avoid going out to crowded areas like restaurants over the intermediate term to avoid getting sick. Nobody knows how bad the epidemic will get, and investors shouldn't attempt to predict the outcome. What investors should do is look for bargains that are still buried beneath the rubble.

Fast-food firms are going to see their comps pressured in upcoming quarters due to the recent outbreak. Still, I find it absurd that QSR stock has fallen faster and harder than most other fast-food plays out there, including **Yum China Holdings**, which owns and operates around 8,500 restaurants across mainland China.

When you consider the blowout success of Popeyes Louisiana Kitchen in the last quarter and the turnaround brewing at Tim Hortons, it becomes more apparent that Restaurant Brands has a lot more going for it than meets the eye over the longer term.

Foolish takeaway

Industry headwinds could weigh further, but I don't think QSR deserved to take on a brunt of the damage while other, arguably more vulnerable fast-food plays out there were hit more mildly and are already in the process of bouncing back after last week's brutal sell-off.

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Date
2025/08/25
Date Created
2020/03/06
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