Contra Strategy: 2 Canadian Stocks to Buy Amid Coronavirus Jitters

Description

The broad market index **S&P 500/TSX Composite** has fallen by almost 8% in the last two weeks on rising coronavirus fears. More concerning still is that we still don't know when and where this is going to end.

Several central bankers across the globe eased their monetary policies recently, which has failed to uplift the market sentiment.

Markets are digging deeper as the day passes, and the uncertainties are increasing at a rapid pace. However, the epic fall has brought lucrative opportunities that you might be waiting for years.

Today's picks are **Savaria Corporation** (TSX:SIS) and **Linamar Corporation** (TSX:LNR).

Savaria Corporation

Savaria Corporation is a Laval, Canada-based mobility company that designs and manufactures home elevators, stairlifts, commercial lifts, and adapted vehicles.

SIS stock has been weak lately, falling almost 12% amid overall market weakness. Notably, the stock looks even more attractive, especially after its recent drop.

The company has shown tremendous growth in the last few years. Its revenues increased by a handsome 45% on average, while profits averaged around 30% in the last three years. Analysts expect fair growth from the company in 2020.

In my view, with an aging population increasing globally, Savaria Corporation has a strong potential for further growth going forward.

Savaria stock offers a dividend yield of 3.3% and has grown dividends by a staggering 27% in the last five years. Interestingly, the stock looks very appealing due to its strong dividend profile as well as its healthy earnings prospects.

If you had invested $10,000 in SIS a decade ago, including dividends, you would have accumulated more than $181,000. That's an incredible 34% average annual total return in the last 10 years.

Linamar Corporation

Linamar stock was notably weak recently and is currently trading close to its October 2013 levels. The company manufactures metallic components and systems for engines in the vehicle market globally.

The auto components manufacturer will report its Q4 earnings next week. After a fair revenue and profits growth in 2018, Linamar took a hit last year, mainly due to a slowdown in the auto sector. However, its earnings will again likely stabilize once an auto industry starts expanding.

Until then, risky investors could grab the stock at its multi-year low levels. The stock is currently trading at a mere five times its estimated earnings for the next 12 months, which is much lower than the broader markets and peers at large. The stock could soon bottom out once an auto industry starts showing signs of revival.

Linamar stock is trading at a dividend yield of 1.3%, which is much lower than the broader market's average. It has managed to increase dividends by almost 4% compounded annually in the last five years. Dividend growth plays a big role in driving shareholders' returns over the long term.

Even if these stocks are lesser known and smaller in size, they have a strong potential to outperform big bulls. These two stocks could attain a respectable level once broader markets calm over the recent coronavirus fears.

Their earnings growth prospects and current valuation indeed make them attractive investment propositions for the long term.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)
2. TSX:SIS (Savaria Corporation)

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