Stock Market Crash 2020: 2 Cheap Stocks That Could Make You Rich!

Description

It's been a wild ride for global stock markets, and the **Canadian TSX Index** hasn't fared much better. Approximately $700 billion in shareholder wealth has been wiped off the Canadian stock market in the past month alone.

Cheap Stocks

This historic destruction of wealth has made plenty of investors risk-averse. However, I believe now is the best time for long-term investors to go bargain-hunting and pick some robust, cheap stocks for their Tax-Free Savings Accounts (TFSA).

Here are two stocks that are starting to look remarkably attractive after this recent plunge. Add these cheap stocks to your list.

Growth stock

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) has been Canada's favourite technology company for years. Shareholders have enjoyed an unprecedented 1,950% gain since the company went public in 2015 until the start of this year.

In 2020, the stock has lost roughly 16.8% of its market value, which is far less than the rest of the Canadian stock market. In other words, Shopify outperformed the index during one of the worst market crashes in the country's history.

To be clear, while the stock doesn't look like a bargain just yet, it's looking more reasonably valued. The price-to-sales (P/S) ratio has declined from nearly 40 at the start of the year to less than 33 now. Management expects total revenue to exceed $2 billion this year, which could mean the forward P/S ratio is 25.9.

Social distancing and a rise in the number of people working from home is going to lead to a lot more online shopping, in my opinion. That's why I'm optimistic that Shopify can meet its year-end revenue target despite the ongoing crisis.

However, if the stock falls any closer to my Fool colleague Amy Legate-Wolfe's fair value estimate of $200, I'll consider buying this relatively cheap stock.

Bargain stock

Financial stocks are getting pummeled more than the rest of the market, and for good reason. A sudden pause in the economy and shutdowns in multiple regions is unprecedented. We still don't know how this will impact people's ability to service their debt or finance new purchases this year.

Seemingly invincible stocks like **Manulife Financial** (TSX:MFC)(NYSE:MFC) have taken a beating. The company has lost 47.3% of its total value, far worse than the rest of the stock market. The stock now trades at a mere five times trailing earnings and offers a 7.95% dividend yield.

However, those metrics are all based on *last year's earnings.* We're clearly under different circumstances in 2020. Manulife's exposure to the Asian market is likely to hamper its balance sheet and erode some profits.

Luckily, the company's dividend payout ratio was just 36% before the crisis, and the book value per share now exceeds market value by 64%.

Net long-term debt is just 40% of the value of underlying equity. Investors seem to have overlooked these incredible numbers and have panic sold this stock, which means it's currently priced for the worst-case scenario.

If the economic downturn isn't as severe as analysts are expecting or if Asia's economies continue to recover the way they currently are, Manulife's cheap stock could become one of the most powerful wealth creators on the Canadian stock market by next year.

Foolish Takeaway

The ongoing market crash could create plenty of opportunities for investors to pick some cheap stocks. Manulife and Shopify are starting to look like some of the first.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
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