2 Stocks Professional Investors Are Buying Right Now

Description

What do savvy professional investors do when markets crash? They buy stocks. In fact, the best investors buy stocks more aggressively when prices are falling and economic conditions worsen than at any other time.

There's a simple reason for this: professionals are looking for bargains. When the stock market is in a state of shock, investors panic and sell their holdings for less than they're actually worth. This creates an opportunity for patient investors with a long-term outlook and cash on hand.

With that in mind, here are three stocks institutional investors, hedge funds, and family offices have been buying. You should certainly add them to your list.

Restaurant Brands

Bill Ackman's Pershing Square Capital, a hedge fund, made an incredible 100-fold return on a bet against the stock market this month. The investment firm turned US$27 million into US$2.6 billion in a mere two weeks.

Pershing deployed much of that capital into Canadian quick-service food giant **Restaurant Brands** (TSX:QSR)(NYSE:QSR). Pershing Square Capital now owns a double-digit percentage stake in the company and is one of its largest shareholders. The other major shareholder is Warren Buffett.

The owner of Tim Hortons, Burger King, and Popeyes could deploy its capital in a major acquisition this year. That could further bolster the portfolio. Meanwhile, its stock is down 26.3% over the past month. It's currently trading at 31 times earnings and offers a 4.8% dividend yield.

Value investors looking for a robust brand with great fundamentals should certainly add this to their list.

CIBC

Banks like **CIBC** (TSX:CM)(NYSE:CM) have obviously been squeezed during this crisis. With rising unemployment, mortgage and credit card delinquency ratios could spike substantially over the next few months. Meanwhile, commercial loans and small businesses face even larger cash flow hurdles.

Unsurprisingly, Canadian banks have collectively lost billions of dollars in value over the past month. If the residential property market collapses, there could be more downside left.

However, CIBC's upper management doesn't seem to be worried. The company's chief executive officer and most senior executives have decided to buy the stock during this market crash. Insider activity is clearly a green flag for the company's valuation.

My Fool colleague Nelson Smith took a closer look and figured out that CIBC was actually better placed than most of its rivals to weather this storm. The bank is less exposed to Canada's residential mortgage market and derived nearly half of its revenue from overseas.

CIBC's shares currently offer a 7% dividend yield, are trading at 7.5 times last year's earnings, and are nearly on par with book value per share. This could be a once-in-a-lifetime opportunity to buy stocks this cheaply.

Dumping real estate

With not a single soul in bars, restaurants, hotels, and malls, commercial real estate faces a deep crisis. Mortgage investment companies and real estate investment trusts are now in a tight spot.

Legendary investor Carl Icahn has made a bet against the commercial property market this year. He sees the coronavirus-driven shutdown as a cataclysmic event for global commercial real estate. Investors should probably take a closer look at their own REITs. Especially the ones focused on commercial real estate.

Too much debt and a sudden loss of income is never a good recipe to buy stocks.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:QSR (Restaurant Brands International Inc.)

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