Market Crash: This Blue-Chip Stock Is Cheap!

Description

As the COVID-19 outbreak continues to ramp up globally, stocks are tumbling. This market crash may present challenges to many investors unprepared for the long term.

However, investors with a long-run outlook stand to profit from this market crash since, given a long enough time horizon, the stock market is bound to recover.

So, by purchasing stocks now, a long-term investors is essentially just buying shares on sale. However, it's important to buy shares of quality stocks that are primed to recover. If a once healthy business is now in peril due to COVID-19, its stock might not be on sale, but instead in true danger.

Today we'll take a look at a Canadian blue-chip stock that can safely generate great returns for investors buying at these discounted prices.

Market crash strategy: RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest bank by market cap, and one of the biggest household names in the industry. It offers a wide array of services to both individual and commercial customers.

RBC provides essential services to many Canadians, and as such will be relied upon during these tough times. With its immense cash flow and strong stability, RBC is prepared to ride out this storm while continuing to serve Canadians.

Generally, RBC runs a very solid business. Its return-on-equity of 16.04% leads all banks in Canada, beating earnings estimates by over 6% in its last report.

With the recent market crash, RBC is trading at $82.91 and yielding 5.2%. It's important to note that its five-year average yield is only 3.8% — so the yield is now relatively quite large.

Take an investor that invests for 20 years, re-investing the dividends along the way. With that yield, and assuming fairly modest growth rates on both the share price and the yield itself (3%), an investor could turn $10,000 into nearly $50,000 in 20 years.

Plus, keep in mind that RBC did not cut its dividend during the financial crisis. So, investors should be able to lock in RBC's yield now with confidence.

The fact RBC was able to hold its dividend while many businesses were forced to remove yields speaks to its stability.

Of course, the COVID-19 outbreak presents unique challenges. Plus, we are in a low rate environment to boot. However, RBC is a well-diversified business with such strong footing in Canada it would be hard to picture them truly struggling.

The bottom line

A market crash is a difficult time for investors. It can be emotionally draining to see the volatility eat away at years of gains. However, investors with cash in hand and a long-term vision stand to profit from a market crash.

The way to do so is to buy deeply discounted stocks of quality companies. These need to be companies with the capacity to withstand the crash and continue growing in the future.

One such business is RBC. Materially, not much has changed for RBC's underlying business. However, its stock has plummeted to levels not witnessed in years and its yield is now sky-high.

As Canada's largest bank, its long-run stability is virtually assured.

Investors looking to buy quality stocks with great yields to hold for a long time (maybe forever) should take a look at RBC's stock.

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