

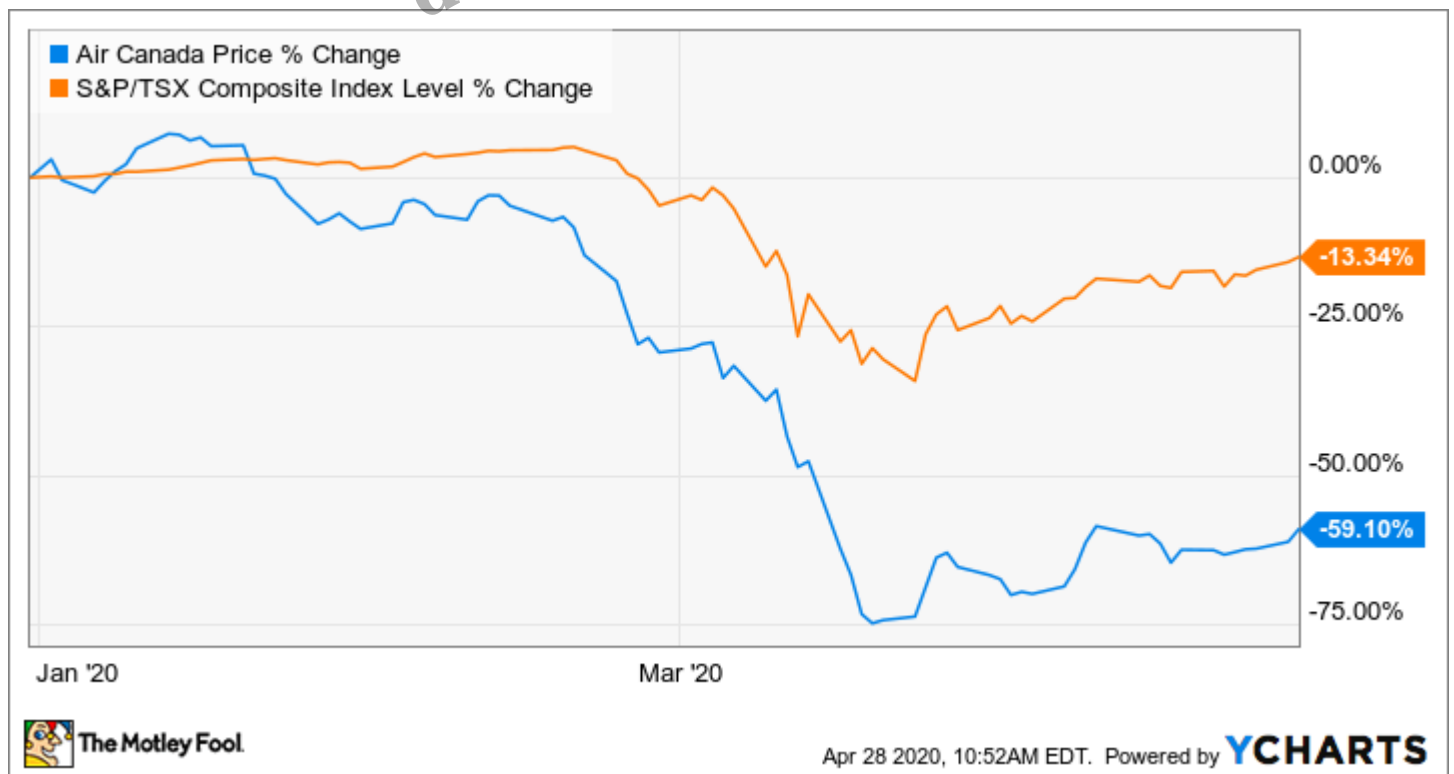


How to Find Solid Discount Stocks Today

Description

Many Canadian investors are quickly researching top discount stocks to buy in 2020 during the COVID-19 market turbulence. Some market participants want to purchase airline stock with their retirement savings. But is this a good idea?

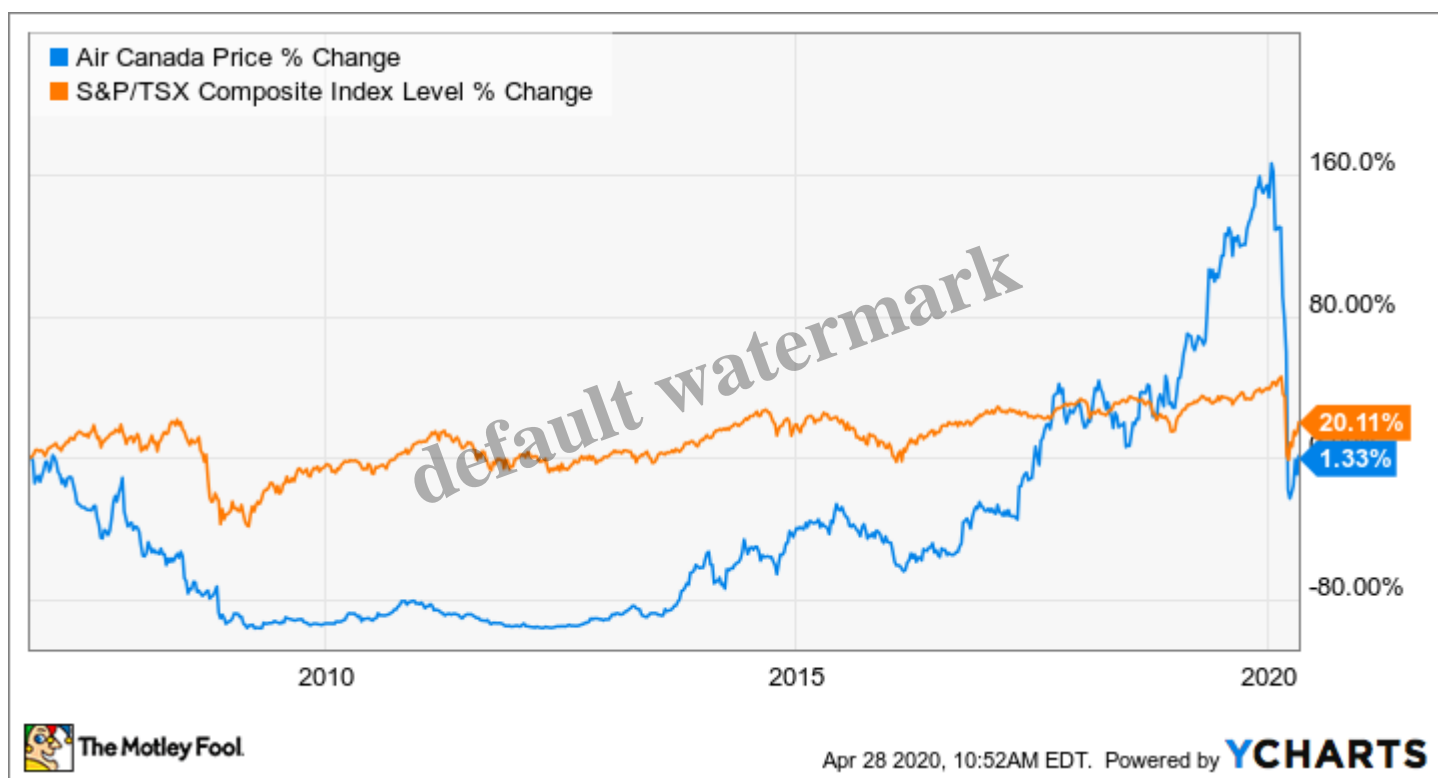
Airline stocks have tumbled due to COVID-19-related international border closures. **Air Canada** ([TSX:AC](#)) has lost over 59% of its value year to date. By comparison, the **S&P/TSX Composite Index** has only lost 13.34% of its market value.



Should you buy Air Canada stock after COVID-19?

Even without the travel disturbances caused by the coronavirus, airlines may not be the best investment. Historically, Air Canada underperforms the market index. Although Air Canada may seem attractively discounted, your retirement savings are safer in an [index fund](#).

The past 12 months were an exception where the stock began to gain ground, only to lose all those gains. In fact, a natural downward correction is likely partly to blame for Air Canada's substantial loss in value this year. The COVID-19 health crisis is only the catalyst for the stock's poor performance in 2020.



How can you find solid COVID-19 discount stocks?

If you want to find better discount stocks than Air Canada to preserve your retirement savings, start by running a stock screener for dividend stocks trading at below-average price-to-earnings (P/E) ratios. Avoid retail, airlines, and energy stocks. These industries will only let you down over the long term.

Another crucial factor to consider is the *beta*. The beta is a measure of the stock's volatility. Higher betas indicate that the stock may be riskier. There will be some periods of time where the stock will be losing money; you may have to sell it at a loss in the future.

Maximize stock market returns with respect to beta

At times, I like to divide the dividend's return by the beta to yield an estimate of the risk-adjusted

dividend return from a stock. Higher betas will lower the expected dividend return to accommodate for the risk in the stock's market value. Likewise, lower betas raise the expected dividend return from the stock.

Needless to say, taking other factors into account like industry and profit margins, you want to purchase stock in companies distributing higher risk-adjusted dividend payments. Using this method, I've made some good money in **Hershey** and **Anheuser-Busch InBev** stocks when they were trading at a discount.

Fully research your stock market investments

There are many stocks out there like Air Canada that may seem like good discount investments at a first glance. Nevertheless, before you purchase the stock, take a look at the change in the market value of the stock versus the S&P/TSX Composite Index. If the stock more often underperforms the index, don't risk your money on the fear of missing out.

To make money in the stock market today, remember to

1. Find stocks with a history of outperforming the index;
2. Be cautious of the industries in which you invest; and
3. Stay cognizant of the beta, or the level of risk associated with the stock.

Finally, dividend stocks trading at a discount may be your best bet during the coronavirus-related market volatility.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AC (Air Canada)

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