The Coronavirus Will Actually Benefit This TSX Stock

Description

The coronavirus sent the stock market crashing last month. And even though TSX stocks have rallied in recent weeks, there is still a tonne of economic uncertainty.

Canada just reported its worst jobs report in history, while ongoing shutdowns and a potential coronavirus resurgence next winter have dampened expectations for 2020. Plus, the ongoing oil crash could add yet another strain to the global economy, one that is not even priced in.

Despite the uncertainty, one TSX stock is prepared to *gain* in value. In fact, the longer the economy remains volatile, the more valuable this company could get.

This stock could surge

During the 2008 recession, an investing trend emerged called "trend to thrift." The thesis was that cash-strapped consumers will trend towards lower-priced retailers. Over the next decade, several TSX stocks representing discount retailers exploded, proving the thesis correct.

The 2020 recession could be even worse. More than three million Canadians have either lost their job or seen their hours reduced. U.S. and global peers aren't in a better position. While economies are slowly reopening, it's likely that activity won't hit baseline until the end of the year. And that's assuming fears don't resurface in anticipation of a virus resurgence.

All of this means that the trend-to-thrift thesis could grow *even stronger* in the months and years to come. The best TSX stock to bet on is **Dollarama** (TSX:DOL), the largest discount retailer in Canada.

This TSX stock is ready

Even if consumer spending falls off a cliff, there will still be an opportunity to capitalize on *shifting* spending patterns. This year, Dollarama could post higher sales figures from this phenomenon. Long term, a growing population of cautious consumers will only add to that sales growth.

Despite this rosy future, Dollarama stock now trades at 2017 prices. This TSX stock should be priced at a premium, yet it's trading at a discount to its historical valuation.

Over the last five years, Dollarama stock has garnered an average valuation of 29 times earnings. Today, shares trade at just 25 times earnings. That's not wildly cheap, but it's a bargain for a stock that just saw its long-term prospects improve dramatically. The latest iteration of the trend to thrift has already begun and could last much longer than 2020.

Other discount retailers, like U.S.-based **Dollar Tree**, trade at similar valuations, but there's a crucial difference.

Last year, Dollarama took a majority interest in Dollarcity, which runs the exact same strategy in Latin America. Rising populations and incomes in this region have created the perfect environment for Dollarcity to grow. It's like buying into Dollarama stock *before* it went on its 1,000% rise. With its new ownership, Dollarama will directly benefit.

This TSX stock really has it all. It runs a recession-proof business trading at a reasonable valuation. Plus, it has the opportunity to re-experience its days of rapid growth via the Dollarcity acquisition. It's not the most exciting pick, but it's one that should pay off for patient investors.

CATEGORY

1. Coronavirus
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Tags

1. Editor's Choice

Date
2025/07/20
Date Created
2020/04/30
Author
rvanzo