



## ALERT: Market Rally in Progress — Especially for These 3 Stocks!

### Description

The **TSX index** witnessed stocks being bid up this past week. The index rose only 4%.

But these stocks appreciated way higher!

**MTY Food Group** ([TSX:MTY](#)) is up 11% on Friday alone (as of writing) and has climbed more than 40% in the last week!

**Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is 8% higher on Friday and flew 24% higher in the last week.

Even big bank **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) popped 3% on Friday and rose 10% during the week.

### What do all these stocks have in common?

They're Warren Buffett's favourite kind of stocks — well, almost. They're value stocks that are trading at big discounts from their intrinsic values.

However, Mr. Buffett would choose to own wonderful businesses at fair valuations over fair businesses at wonderful valuations.

Which company is quality? It depends on what your definition of a quality company is.

### Warren Buffett also likes dividends

Mr. Buffett prefers to own quality stocks that pay dividends. MTY Food Group has suspended its dividend amid the COVID-19 pandemic. In fact, it even [cut](#) more than half of its workforce.

That's understandable given that most of the locations in its 7,300-restaurant network were closed due to COVID-19 measures, as its locations are largely located in malls.

Recall that its geography mix is 54% in the United States, 39% in Canada, and 7% international. Malls progressively reopening in the U.S. and Canada is the force that's driving the rally in the stock.

MTY's suspended dividend was an annualized payout of \$0.74 per share, which would equate to a yield of about 2.1% at today's price. If you ask me how much MTY should be worth, I think it can easily trade in the \$40 range for another upside of at least 12%.

## These are great dividend stocks

Brookfield Property and BNS stock pay nice dividends. Even after the recent rally — up 41% in the last month — BPY still provides an absurdly high yield of 10%. This is thanks partly to its U.S. dollar-denominated cash distribution boosting the Canadian-dollar payout for Canadian investors.

In March and April, BPY stock was deeply depressed, trading as low as 25% of its end-of-Q1 book value. The market was obviously worried about its large exposure to retail and office properties.

Whether investors decide to invest in the real estate stock or not depends on how severe they believe COVID-19 will impact retail and office trends. Will people stop going to enclosed malls and keep working at home?

Despite the awesome rally, BPY still trades at a hefty discount today — about 46% of its Q1 book value. Normally, it can trade at 60% of its book value, which suggests another 30% upside is in the cards!

The market is worried about COVID-19's impact on the economy. As a result, in March, BNS stock traded at a dirt-cheap valuation — as low as 6.7 times last year's price-to-earnings ratio!

In fiscal 2019, the international bank earned \$7.14 per share. In my opinion, that's the normalized earnings power it has. It could take several years for it to return to that earnings power, but it will get there.

In the near term, it'll have setbacks, but it's more likely to [maintain its dividend](#) and deliver excellent long-term returns as things normalize. BNS stock has rallied but it still offers a juicy yield of 5.9%, which is 40% higher than its more normalized yield of 4.2%.

## The Foolish takeaway

To make outsized wealth in the stock market, investors must aim to buy quality stocks on bad news and hold the shares until the storm passes. During times of fear, always think what the normalized valuation of a business should be.

It's anyone's guess how long this market rally will last. The second wave of COVID-19 can quickly wipe out stock gains. Therefore, investors should have a clear investment plan for each of their holdings. Are they buy-and-hold stocks, or do you have price targets to exit the stocks at?

## CATEGORY

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

## TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:BPY.UN (Brookfield Property Partners)
4. TSX:MTY (MTY Food Group)

## PARTNER-FEEDS

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

## Category

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

## Date

2025/08/21

## Date Created

2020/06/07

## Author

kayng

default watermark