Deep Value Alert: 2 Stocks I'm Buying If the Market Rolls Over Again

Description

The market is rolling over again, but as a Foolish investor, you should have more than enough liquidity to swing at the opportunities that Mr. Market throws your way. Sentiment has taken another 180-degree rotation, as optimism over the reopening of the economy has suddenly turned to jitters following news that coronavirus infections are picking up in select states such as Texas.

Nobody knows how much of the gains posted over the last two months will stand to be surrendered. But as a long-term investor, it shouldn't matter to you.

If Mr. Market serves a swingable pitch in your circle of competence, you swing, regardless of where the market strategists on TV say will happen over the short-term.

In this kind of market, with wild, volatile swings, acting on raw emotion can get hazardous to your wealth, as we found out over the last several months. For do-it-yourself stock pickers, though, such wild swings can stand to reward those who go against the grain, buying while others are in a panic, and trimming when optimism gets ahead of itself.

Now that investors are growing fearful again, it may be time to start doing some buying again, with some of the more battered stocks on the **TSX Index**. Consider shares of **Spin Master** (TSX:TOY) and **Ensign Energy Services** (TSX:ESI), two deep-value stocks that look to have a considerable margin of safety.

Spin Master

Spin Master is an innovative toymaker that's been dealt a tough hand. The bankruptcy of Toys "R" Us sent shares into a tailspin a few years ago, as the void in the toy retail scene weighed on toy manufacturers themselves.

It wasn't just exogenous industry issues that were the cause of Spin stock's pains, though. Spin's management, while innovative and visionary, had its fair share of operational stumbles.

These stumbles, while detrimental to the stock, are certainly not unforgivable, as upper management has endured a bit of a shake-up of late.

For now, coronavirus woes will weigh. But with shares trading at just 1.0 times sales and 2.2 times book, I'd say the margin of safety to be had in the name is quite wide, even given the numerous medium-term issues that have yet to be resolved.

If you're able to think longer term, the upside could have the potential to be outsized, as the nearly $90 billion toy market remains fragmented and ripe for disruption by an up-and-comer like Spin.

Ensign Energy Services

If you consider yourself a deep-value investor, Ensign is a must-buy, with shares trading at a multiple that's so cheap that you'd probably think the company was on the cusp of going bankrupt.

Many retail investors have been chasing bankrupt stocks, including **Hertz**, of late, as the appetite for speculation continues to grow.

If you seek upside and stupidly cheap value, you don't need to risk your shirt with a name that's bankrupt or is on the verge of going belly up. Ensign is a prime example of a dirt-cheap stock that actually has a decent liquidity position amid this coronavirus crisis.

The company sported a 1.3 quick ratio and a 1.5 current ratio. That's a pretty solid financial footing. While the company is in an oil driller — among the unsexiest of businesses to own in today's environment — you've got to be a contrarian and buy stocks that others don't want if you want to improve your odds of beating the market.

Over the last few months, I've been pounding the table on the name while shares were trading at an unprecedented 0.06 times book. Just a few weeks later, and ESI stock almost tripled before pulling back modestly.

Today, the stock trades at 0.12 times book and is still a dirt-cheap bargain for those value investors who seek a significant upside correction.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:ESI (Ensign Energy Services Inc.)
2. TSX:TOY (Spin Master)

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1. Business Insider

2. Msn
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