Undervalued: 2 TSX Stocks That Unjustly Got Hit Last Week

Description

The markets took a breather last week after one of the sharpest relief rallies in recent memory. Many skeptics, strategists, and big-league billionaire money managers were skeptical of the rally, as the stock market divorced itself from the economy.

While it's certainly comforting knowing the U.S. Fed chair Jay Powell has our backs with an unspecified amount of cash in hand; it's important to remember that the markets are impossible to predict, and another wave of bad coronavirus news could easily wipe out the gains posted in the subsequent months at the drop of a hat.

If you're a youngster who's hungry for upside, then please, feel free to nibble away at the high-upside "all-or-nothing" spec bets and borderline speculative deep-value plays. But make sure you've got a section of your portfolio that can have your back should we be propelled back into another bear market. Young investors may want to consider a "barbell" COVID-19 strategy, a risk-balancing approach that's growing in popularity amid this crisis.

For older investors who just want to shelter their portfolios from excess volatility, there's no shame in sticking with tried-and-true companies that have demonstrated resilience amid this pandemic. Uncertainties relating to the coronavirus have made it tough for many firms to give forward-looking guidance.

It's also made the job of retail investors and sell-side analysts that much harder. Fortunately, there are stocks out there that are easier to spot as undervalued than others. This piece will have a look at two such easy-to-value names that got unfairly hit amid last week's sell-off.

Shaw Communications: Undervalued and oversold

Shaw Communications (TSX:SJR.B)(NYSE:SJR) pulled back 5.2% on Thursday, a move that I thought made absolutely no sense given the recession-resilient nature of the low-cost telecom and the likelihood that it'd hold its own relative to its higher-cost peers in the coming recession.

The stock sports a 5.3% yield and is nothing short of a buying opportunity to prepare for the tumultuous environment that lies ahead. In times of economic hardship, telecoms are a great place to hide, because of their swollen yields and more resilient cash flow streams. Shaw takes it another level, because of its low-cost advantage and the fact that it's usually first to lower the bar for the big Canadian telecoms.

Shares of SJR.B are a gift courtesy of Mr. Market after Thursday's unwarranted beating. The stock trades at 1.97 times book and 2.2 times sales, both of which are too low given where we're at in the current market cycle and the glimmer of certainty the stock can provide to defensive investors in a time of profound uncertainty.

Goodfood Market: A resilient play to hold though a pandemic

Another move that made no sense was the pullback in shares of Canadian meal-kit delivery kingpin **Goodfood Market** (TSX:FOOD). Given most of the market jitters related to the U.S. Fed's gloomy outlook and the rise in coronavirus cases in select U.S. states, you'd think that a stock like FOOD would be up. Goodfood has done its part to help Canadians get their groceries without having to risk their health by going to the local supermarket.

If we're due for a resurgence in coronavirus cases, Goodfood is a stock you'll want to own. In the pre-pandemic environment, its value proposition was questionable. In a pandemic, though, the value of the company's services is that much higher. Over the long term, Goodfood is in a spot to improve its margins further, and that will either lead to an even better value proposition for customers over time or a path towards sustained profitability.

The stock trades at 1.22 times sales, and like Shaw, is a gift courtesy of Mr. Market after last week's unwarranted beating.

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