Market Crash: 3 Stocks I'll Be Buying on the Next Dip

Description

Market crashes are not a time to panic. They're opportunities for investors to pay less to get more. Mr. Market can be quite inefficient in his pricing of certain stocks, and in times of turmoil, your chance to nabs stocks at sizeable discounts to their intrinsic value are much higher than in times when volatility is tame.

Whether another market crash happens this year is anybody's guess, but it can't hurt to have a list of stocks you'd be willing to buy should stocks be headed for another nosedive. Without further ado, here are three stocks that I'll look to be buying (more of) on the next big dip.

Nutrien: A cyclical rebound play I'd buy in the next market crash

Nutrien (TSX:NTR)(NYSE:NTR) is a fertilizer kingpin that's in the middle of a nasty multi-year cyclical downturn. Agricultural commodities have taken quite the hit in recent years, but with a strong liquidity position, the company will survive the COVID-19 crisis to see better days.

Today, the stock looks severely undervalued, trading at just 0.88 times sales and 0.81 times book, with a well-covered 5.8% dividend yield. Although shares are already beaten up and are worthy of picking up today, I think shares could continue nosediving amid the coronavirus crisis, as demand for agricultural commodities remains muted.

Betting on cyclical stocks at a cyclical low point can be highly profitable for contrarians willing to go against the grain. But you'd better have a multi-year time horizon, because cyclical rebounds tend to take many years, with short-term bumps in the road along the way.

Restaurant Brands International: A dividend heavyweight built to survive

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a fast-food kingpin that'll probably recover from the pandemic a lot sooner than most think. While COVID-19-induced dining room closures will curb store traffic, sales, and profitability prospects over the near to medium term, the company has deep enough pockets to survive the hit, as it looks to improve itself by investing in improvements across its three chains.

Popeyes Louisiana Kitchen has been bucking the trend of late, with incredible numbers driven by its sought-after chicken sandwich. The success of the sandwich was unprecedented and is likely to continue to be a bright spot for the company amid these dark times.

As a restaurant stock, though, QSR is going to take on a brunt of the damage on any ominous news relating to COVID-19. So, although QSR stock is relatively cheap today, I suspect it could lead another downward charge before correcting to the upside again. Personally, I'm getting ready for volatility, and I'll be looking to buy on any exaggerated dips.

Bank of Montreal: A battered bank trading below book

I suspect **Bank of Montreal** (TSX:BMO)(NYSE:BMO) could take a hit in the next COVID-19-induced market crash. The well-run bank trades at 0.9 times book and is one of the cheapest Big Six financials on the **TSX Index** today. However, with a considerable amount of exposure to U.S. markets that have been ravaged by COVID-19, BMO could be in for some hideous quarters ahead that could be dragged down by steep provisioning.

BMO's exposure to the weakest areas of the economy (oil and gas, commercial lending) is concerning. As such, I wouldn't be surprised to see further pressures on capital and earnings, as the CET1 ratio stands to fall below the 11% mark. While BMO is among the most vulnerable banks to another rise in COVID-19 cases, I think the stock is already priced with such risks in mind.

The 6% yield is bountiful, and the CET1 ratio remains solid. So, I wouldn't hesitate to recommend the stock today while it's trading at a 10% discount to book if you're still bullish on the banks. If the discount widens further on a broader market pullback, I'll likely be looking to scoop up more shares of the already badly bruised BMO, as I don't think it'll bring its dividend to the chopping block amid this crisis.

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2. NYSE:NTR (Nutrien)
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