



2 Stocks I'll Buy When the Market Crashes Again

Description

Stock market analysts and commentators are increasingly becoming concerned about another market crash in 2020.

Yesterday, **Royal Bank's** chief equity strategist, Lori Calvasina, [sounded the alarm](#) around the potential for another market crash. Long term, she remains constructive on stocks. However, the tech sector has particularly become crowded and is trading at "frightening valuations ... above tech bubble highs."

Morgan Stanley's global strategist, Andrew Sheets, echoed similar sentiment by stating that stocks are simply running out of steam. With health, political, geopolitical, and economic risks that could challenge markets over the summer, short-term downside risks are beginning to outweigh any upside.

Economist Richard Koo recently agreed, stating that "stock prices are living on borrowed time." He believes another globalized COVID-19 lockdown in the fall could see stock markets crash severely again.

With this sentiment in mind, I have started to rotate a little bit more towards safety and have begun to build up my cash position. Here are two stocks that I am waiting to buy once their market valuations crash back a little closer to earth.

Buy on a correction: Canadian Pacific Railway

This first stock is a more cyclical play on a recovery out of the pandemic crisis. It is **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). Despite facing a challenging year, CP stock is trading near all-time highs.

Yesterday, it reported its second-quarter results. Revenues and diluted earnings per share were down from last year by 9% and 10%, respectively. However, its operating ratio (operating expense as a percentage of revenues) improved 140 basis points to 57%. In the quarter, it saw record volumes of grain and potash, which helped offset weakness in other business lines.

Although CP stock is relatively pricey here, I would certainly be interested in buying it during a market crash. It is a stock you buy on dips and hold forever. It operates a duopoly, its infrastructure is irreplaceable, and its transportation services are essential for the country to operate.

This company is relentless in pursuing operational efficiencies and reducing costs. This was clearly demonstrated this quarter. CP is taking the lower-volume conditions to better improve its infrastructure and operations. When the economy recovers back into growth, it should be ready to produce even stronger results than before.

All around, CP is a very solid, stable dividend-paying stock. It just raised its dividend by 15%, which clearly demonstrates management's confidence in its long-term business strategy.

Cargojet is my “high-flying” market crash buy

Another transportation stock that I'll be buying in the next market crash is **Cargojet** ([TSX:CJT](#)). Like CP, its stock is trading just off all-time highs. However, it is [an attractive long-term stock to own](#). Many of the headwinds that are challenging passenger airlines are, in fact, tailwinds for Cargojet's business.

It operates 90% of Canada's domestic overnight air cargo services. It has established the infrastructure and route capacity to service Canada's 15 largest cities. To some extent, this gives it a strong competitive moat.

The benefits from the pandemic are threefold. First, Cargojet is seeing a major uptick in transportation demand for e-commerce and healthcare products across the country. Second, Cargojet benefits from passenger airline's reduced flight volumes, as it can take over their cargo delivery capacity. Third, with many pilots now looking for work, Cargojet has the ability to hire very qualified, experienced pilots to add on new routes and grow its global distribution network.

Cargojet just happens to be at the right place at the right time during the pandemic. The stock is pretty pricey right here, so I would not chase it. Yet I would certainly be a buyer on any major market plunge or correction.

CATEGORY

1. Coronavirus
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2. TSX:CJT (Cargojet Inc.)
3. TSX:CP (Canadian Pacific Railway)

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Date

2025/08/27

Date Created

2020/07/23

Author

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