Why I'd Buy TSX Shares NOW Instead of Waiting for the Next Market Crash

Description

The recent relief rally is nothing short of unprecedented. Ever since the U.S. Federal Reserve stepped in, the broader markets have not looked back. While it may seem nonsensical that the **S&P 500** is at fresh all-time highs, despite the COVID-19 risks that are still very much present, investors must remember that seemingly high valuations are relative to the type of environment we're in.

With near-zero interest rates and an American central bank that's committing to not hike interest rates, even with the growing threat of inflation, it certainly seems as though equities are the only game in town if they weren't already going into this crisis.

TSX shares look frothy, but are they really?

In a prior piece, I'd noted that the stock market wasn't as expensive as it seemed, taking into account the absurdly low costs of borrowing, the potential for substantial multiple compression as the economy recovers, and fiscal and monetary stimuli that would likely outlast the pandemic. I also noted that "excess liquidity" would drive the next leg of the rally above and beyond that of pre-pandemic levels.

"Central bank-backing is a green light for investors." I wrote in a piece published on June 23. "That's not to say that you should ignore traditional valuation metrics [entirely] and pay up whatever price for a given stock, though. Valuation still matters. Just remember that valuations are *relative* to the type of market."

Indeed, the markets have continued roaring, posting an impressive July followed by the best August in decades. Still, many talking heads continue to rave about the "froth" that's developed in the markets and how a market crash could be nigh, with tech leaders that could be at risk of leading the next downward charge. While it would be foolish (that's a lower-case *f*) to rule out the possibility of another substantial market sell-off, I think that overvaluation concerns are nowhere close to bubble levels like they were in the lead-up to the Dot-Com Bust.

If you've missed out on the recent rally and are reluctant to put money in following one of the best buying opportunities in recent memory, you're not alone.

Chasing momentum stocks like **Shopify** could undoubtedly lead to tears over the near term. There are pockets of severe overvaluation due to rampant speculation. Still, for the most part, you shouldn't be overwhelmed by the stock market's recent run and assume that another pullback will give you a second chance to deploy your cash hoard. By just waiting for another market crash, you could find yourself waiting on the sidelines for a long time.

Fortunately, there are pockets of severe undervaluation in the **TSX Index** in particular, which has lagged U.S. indices in the latest rally. Consider non-tech value stocks that could be poised to make up for lost time, as new methods of containing the coronavirus come to be. Now, I'm not just talking about an approved effective vaccine. Faster, more convenient testing kits (such as rapid test kits developed by **Abbott Laboratories**) could provide a bit of lift to stocks that have been feeling the full force of the COVID-19 impact.

If you spot a bargain, buy it!

Severely undervalued stocks like **Restaurant Brands International** could explode higher going into year-end should such rapid-testing measures show promise and get the green light from federal regulators. And if a vaccine lands? Well, let's just say the upside spike could have the potential to be profound in hard-hit firms within industries that have been dragged down by COVID-19 over the past several months.

So, rather than waiting for another market crash, which may or may not happen, scoop up a bargain today because there are still plenty of them even though the stock market has been doing nothing but surging of late.

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