September Market Crash: A Massive Buy-the-Dip Opportunity?

Description

The only thing more unprecedented than the February-March and September market crashes is the March-August relief rally, which enriched many investors who had the discipline to buy in the face of an absurd magnitude of uncertainty and volatility.

With Canadian and U.S. stocks taking a much-needed breather this month, there's no question that this current correction we find ourselves in could evolve into a steeper sell-off, as the froth is cut right off of the hottest names of 2020's first half. Regardless, if you see a bargain, you should buy, because, as we witnessed back in March, it's easy to let a market crash go to waste, as it could bounce back faster than your ability to snag bargains.

Is the stock market expensive? Possibly, but if you exclude pandemic-resilient tech stocks, the market looks ridiculously cheap

Tune into any financial TV show, and you're bound to hear someone referring to the stock market as expensive. While stocks, on average, may seem a tad on the frothy side given the slate of risks brought forth by this crisis (could a second wave of COVID-19 shutdowns be imminent?), the markets aren't as expensive as they seem given the market environment.

The pandemic-plagued economy is experiencing a profound magnitude of fiscal and monetary stimuli combined with a lower-for-longer, medium-term interest rate trajectory (negative rates shouldn't be ruled out either). Once this pandemic inevitably ends, the stimulus will still be present, and stocks could melt-up in an unprecedented fashion. That has many investors bullish, despite today's dire reality, with a second COVID-19 wave on the horizon.

While I think investors ought to be bullish in the long term by staying invested in spite of the massive bumps in the road, investors need to pay careful attention to the price they'll pay for any security.

Restaurant Brands: A misunderstood bargain that could soar out of this September market crash

With a handful of pandemic-resilient growth stocks doubling and tripling in a matter of months, there's no question that there's a high probability than many such names have vastly overshot their intrinsic value ranges. On the flip side, many battered stocks, like **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), which has taken a big hit from the COVID-19 impact, were priced as though they were going under at the peak of the panic back in March. The valuation discrepancy between sectors has arguably never been this wide, and that's an opportunity for do-it-yourself stock pickers who can pick their spots.

Today, Restaurant Brands has bounced back but still looks hugely undervalued given the pandemic may actually be a long-term positive. The firm is a tremendous high-ROIC growth company that's still in the early chapters of its growth story. I view this pandemic is a massive road bump for the firm. Sales will take a hit, expenses will rise, growth initiatives will grind to a slowdown, and 2020 will be a write-off of a year.

Eventually, the company will pick up where it left off with its suite of powerful fast-food brands. Management will put the foot back on the pedal, and the company will trade at a massive premium again, as store count and comps drive tremendous earnings growth. Moreover, the company will likely be in a position of power coming out of this pandemic, with a more robust mobile and delivery presence in a less-competitive environment, given many of QSR's competitors may not have the balance sheets to make it out of this crisis alive.

Don't waste this September market crash

To quote the brilliant Warren Buffett, "Only when the tides go out do you discover who's been swimming naked."

Now that the tides have gone out on the restaurant scene, it's apparent that Restaurant Brands has its swim trunks on. The same can't be said for many other restaurants that are feeling the full force of the COVID-19 crisis.

With a strong liquidity position and a capital-light business model, Restaurant Brands is in a position to rise out of this pandemic and thrive in a potentially severe recessionary environment that will favour low-cost fast-food firms with the best value propositions.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/23
Date Created
2020/09/15
Author
joefrenette