



Buy This Safety Stock Today Before the Market Plunges

Description

Many investors are bidding September, historically one of the worst months for the stock market, farewell. Heading into October, the broader markets are attempting to bounce back from correction territory. However, with weak technicals, tremendous uncertainties, and excessive amounts of froth that remain on the more prominent first-half-of-the-year winners, there are many reasons to believe that more of the same will continue in the fourth and final quarter of what's been a brutal year.

In short, more [pain](#) could be in the cards, as surging COVID-19 cases could quickly reverse the progress made since May. While I don't expect the next market sell-off to be nearly as vicious as the record-breaking implosion suffered in February and March, investors should seek to batten down the hatches if they haven't done so already, just in case the fourth-quarter outbreak ends up turns out to be far worse than anybody on the Street is expecting.

More pain ahead? Don't rule it out

Unlike the last bear market, investors know the U.S. Fed is on their side, with enough tools to stop an excessive sell-off in its tracks. While comforting, the Fed's backing does not give the green light to speculate on the hottest of stocks, with little consideration for the price paid.

Sure, the Fed doesn't want the economy to fall into the worst depression for which the likes the world has never seen before. At the same time, Fed Chairman Jerome Powell probably won't be willing to step in if the markets are ridding themselves of speculators that have been playing the game of greater fools for most of the third quarter.

This piece will have a look at a cheap but resilient stock that could pop over the coming months if the market correction evolves into another bear market.

Head North West if you seek a hedge against a worsening pandemic

Without further ado, consider shares of **North West Company** ([TSX:NWC](#)). The lesser-known defensive retailer that serves the underserved communities primarily in northwestern Canada and Alaska. For those unfamiliar with the name, it's behind such retail banners as Giant Tiger and Northern, both of which you've probably never heard of unless you live in the suburbs of select Western Canadian provinces.

Unlike most other retailers or grocers, North West is not looking to spread itself too thin by trying to be everywhere in a competitive market that commands pretty thin gross margins. Instead, North West has opted to stick within its niche by serving underserved rural localities that have few in the way of options when it comes to food and other general necessities.

Although retail is highly commoditized, North West has managed to form a bit of a moat around the localities it serves. Such rural locations have limited access to mobile and delivery options, making North West one of the more compelling retail plays to own over the long haul.

What about valuation?

Shares of NWC have been roaring amid this latest sell-off, a trend that'll probably continue going into year-end. Despite the sudden surge, NWC stock remains [absurdly cheap](#) at just 16.7 times next year's expected earnings and 0.78 times revenues. With a 0.37 five-year beta, NWC is one of the few safety stocks you can hide if you lack a hedge against a drastic worsening of this horrific pandemic.

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