



## A Top Stock for a Looming Bear Market

### Description

Certainly, U.S. election jitters are in the air. With just a week to go before the big day, the threat of falling into another bear market, I believe, has grown considerably.

Many pundits, including the likes of analysts at **Morgan Stanley**, are calling for a [market correction](#) (a 10% drop) to hit at some point within the next two months. A surprise result from the presidential election amid worsening coronavirus cases could be the final push that this market needs to fall back to those September depths as a part of a vicious correction that will likely spare few investors.

While Morgan Stanley expects a run-of-the-mill correction, I wouldn't rule out a more vicious pullback that could send us into yet another bear market moment, given this choppy market's propensity to [overshoot](#) (either to the upside and downside).

So, if you're not ready for another vicious repeat of the selling that happened in September (or even back in February), now is as good a time as any to rotate into those old-fashioned low-beta value stocks that can hold their own should Mr. Market pull the rug from underneath investors again.

## Bear market: A questionable risk/reward at this juncture begs for investor caution

While Morgan Stanley's words should not be taken as gospel, I'm sure you'd agree that the stage looks to be set for a nasty conclusion to what's been a stomach-churningly volatile year for investors. Stocks aren't exactly cheap here, given the massive uncertainties brought forth by the coronavirus crisis.

You could argue that the risk end of the risk/reward trade-off is not at all balanced by the potential for rewards, and that's a type of environment where investors should be cautious, with dry powder to buy the dips that are likely to accompany unfathomable uncertainties in this pandemic-plagued environment.

Another garden-variety correction is only healthy for this type of market and think it'll bring forth

massive bargains that should be acted on. So, ready or not, it's time to prepare your portfolio's foundation, so you'll be able to navigate another bout of rough waters that could be followed by a Santa Claus rally heading into the holiday season.

So, without further ado, consider trimming your biggest winners of the first three quarters for the following beaten-up dogs, which, I believe, will be less impacted by a coming 10-20% sell-off that could precede a year-end rally. **Alimentation Couche-Tard** (TSX:ATD.B) is my top pick as we inch closer toward a U.S. election that could spark a vicious pullback, the likes of which we may not have seen since the market crash back in February and March.

## Bear market: Value in the unloved convenience scene

Couche-Tard is a defensive growth king that's able to continue raking in the profits amid the profound disruption. Not only is the firm's operating cash flow stream resilient in the face of a second wave of COVID-19 cases, but the company also boasts a remarkably strong balance sheet, with enough liquidity to acquire another elephant.

While Joe Biden's U.S. corporate tax hikes aren't great news for Couche, which has a considerable amount of exposure to the states, the pandemic-resilient nature of cash flows and the depressed valuation are more than able to offset any negative reactions relating to a Biden presidential victory.

Couche is still a double-digit earnings grower that can double its net income in five years, regardless of when this pandemic concludes. Yet, the stock trades as though Couche has permanently lost its growth edge, which is simply not the case. ATD.B trades at 3.3 times book value and 8.8 times EV/EBITDA, both of which are lower than that of the stock's five-year historical average multiples of 4.2 and 11.9, respectively.

## Foolish takeaway on Couche-Tard

Investors seem to be a tad impatient regarding Couche's recent bout of inactivity. While there's no telling when Couche will pull the trigger on a blockbuster, shares are worthy of buying now while the company's balance sheet is locked on loaded. Couche is my second-largest Canadian holding and I intend to accumulate even more shares on further weakness.

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