



Alert: These 2 COVID-19 Resilient Stocks Are Too Oversold!

Description

The big news of **Pfizer's** vaccine breakthrough was a big deal. To many investors, it represents a glimmer of light at the end of a dark tunnel. Although the 90% efficacy of the [vaccine](#) is nothing short of incredible, we've got another massive wave of COVID-19 cases to get through before we can march into the post-pandemic world and out of this horrific "new normal."

Indeed, vaccine news makes many investors incredibly [bullish](#). With more clarity on the pandemic's endgame, many folks are probably the most bullish they've been since the depths of March, a time when there were bargains galore. Over the past week, we've witnessed a profound rotation out of COVID-19 resilient stocks, some of which have been major beneficiaries of the pandemic, and into COVID-hit stocks that have been feeling the full force of the coronavirus impact.

The big rotation continues.

While I do suspect to rotation out of "risk-off" to "risk-on" names will continue to be the major theme between now and year's end, I also think that some COVID-resilient stocks have been overly battered of late and are thus terrific buys, even if we're due for a timely delivery of Pfizer's vaccine within months.

The price of admission has undoubtedly dropped in many recession- and pandemic-resilient stocks in recent weeks. And some of them are worth picking up as the rotation continues.

Consider shares of pandemic faves **KP Tissue** ([TSX:KPT](#)) and **Cascades** ([TSX:CAS](#)). Both companies are in the tissue products business, and they've both taken a big hit to the chin this month, as defensive investors rotated into offence to prepare for the post-pandemic environment that could be in the cards over the next 18 months.

At the time of writing, shares of KP Tissue and Cascades are down 17% and 23%, respectively, from their 52-week highs, thanks in no part to the promising vaccine news that's decreased the appetite for defensive pandemic plays. Fearful investors are no longer hoarding tissue and toilet paper companies. After their respective corrections, I'd encourage investors to nibble into positions today, as both names

look to be a compelling value in the face of a worsening second wave.

Tissue and toilet paper plays pullback

I warned investors that toilet paper play KP Tissue would be due for a pullback once investors the pandemic's end fell into sight. The massive pull-forward in demand for toilet paper amid the first wave of coronavirus cases was unprecedented. I noted that the pull-forward in demand was not the start of a secular trend in demand for toilet paper or tissue products and that a post-hoarding "hangover" was likely to weigh on KP Tissue, as tissue hoarders looked to exhaust their personal supplies.

With KPT stock surging 67% since its March depths, there was no question that the "unsexy" pandemic play had suddenly become sexy. Now that shares have had a chance to cool off, I'd look to initiate a position for the long haul. Another big pull-forward in demand could be in the cards over the near-term amid surging coronavirus cases. With input prices expected to remain relatively stable over the long run, I'm a huge fan of the potential behind KP's handsome 6.2%-yielding dividend.

Foolish takeaway

As investors rotate out of pandemic stocks, both KPT and CAS are likely to remain under pressure. So, make sure you scale into a position over time because investors will likely continue punishing the COVID-resilient stocks just because of their pandemic-resilient nature and not because of deteriorating fundamentals.

Cascades sports a 2.35% yield and is under more pressure than KP. For the income- and value-oriented, I'd much prefer buying KP on this dip, rather than Cascades.

CATEGORY

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2. TSX:KPT (KP Tissue Inc.)

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Author
joefrenette

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