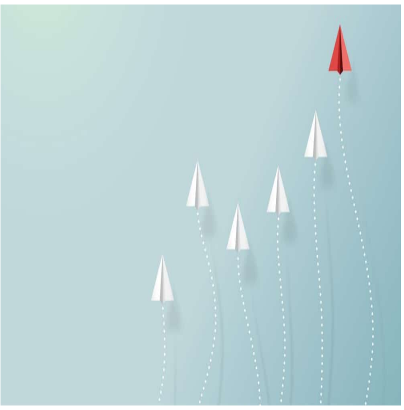

2 Deep-Value Stocks Poised to Skyrocket Into the Mesosphere in 2021

Description

2021 could see a shift to value stocks, as growth and momentum looks to take a backseat. Valuations are a tad on the pricy side, with plenty of analysts and hedge fund managers ringing the alarm bell, calling for a much-needed correction to cut the froth off the top of this market. While I wouldn't advise timing the markets over the potential for a near-term correction, I would suggest that investors place their bets very carefully, as some of 2020's biggest winners could emerge as some of the more pronounced losers of the new year.

In this piece, I'd like to draw your attention to two unloved Canadian stocks that could make a big comeback, as the economy recovers from one of the worst socio-economic crises in recent memory. Without further ado, consider shares of **Fairfax Financial Holdings** (TSX:FFH) and **ONEX** (TSX:ONEX), two deeply discounted value stocks that, I believe, have a very favourable risk/reward trade-off in this frothy market environment. Both deep-value stocks are so cheap such that I see them as potential green spots if we are to see a market sea of red at some point in the first half of the year.

Fairfax Financial Holdings

First up, we have Fairfax Financial Holdings, an insurer and holding company run by the legendary money manager we all know as the Warren Buffett of Canada, Prem Watsa. Watsa, like Buffett, is in a bit of a slump of late, after having taken a big hit from the COVID-19 crisis. Fairfax stock is close to the cheapest it's been in recent memory and is worth scooping up for those confident that Watsa can make a comeback on the other side of this pandemic.

The stock is ridiculously cheap at 0.9 times its book value. The underwriting track record hasn't been the best in the world, but it has shown signs of improvement in recent years, which, I believe, could be more pronounced going into the latter part of 2021. Regardless, those who believe that Watsa's unorthodox investment approach can achieve alpha over the long term should seek to punch their ticket into the stock today, while shares are still discounted to book.

ONEX

ONEX is another firm that took a big hit from the COVID-19 crisis. The company scooped up WestJet Airlines at arguably the worst possible time, just a year before the pandemic decimated the air travel industry. While ONEX's timing couldn't have been more off, I think investors have a lot to gain by forgiving ONEX for its recent shortcomings. Given ONEX's massive size, it was impossible to avoid the pain that was to come from the pandemic.

As the pandemic headwinds fade and it comes time to recover, I expect will be one of the names that will lead the broader markets higher. Some investors invest in the firm for its WestJet exposure, but I'd say there's a heck of a lot more to like about the firm's other holdings at this juncture. ONEX has a track record of crushing the TSX Index over the long haul — a trend that I suspect will continue into the next decade.

If you're looking for a recovery play, ONEX ought to be at or around the top of your shopping list. But be warned, deep-value investing is not everybody's cup of tea. Near-term traders could take a hit with any reopening play if the COVID-19 crisis takes a turn for the worst.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:ONEX (Onex Corporation)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date
2025/06/28
Date Created
2021/01/15

Author
joefrenette