



How I'd Find Cheap Shares to Buy Right Now

Description

Despite the 2020 stock market rally, finding cheap shares to buy now is still an achievable goal for all investors.

A good starting point could be unloved sectors that face challenging near-term outlooks. Investor sentiment could improve significantly over the long run, as operating conditions for financially-sound businesses gradually improve.

Over time, this could lead to impressive capital returns that make a positive impact on an investor's financial situation.

Finding cheap shares to buy in unpopular sectors

Unloved sectors are an obvious starting point to find cheap shares to buy right now. Since they are unpopular among investors, they are likely to contain companies that trade on low valuations. This may provide significant scope for capital gains over the long run, as the world economy's performance improves and investor sentiment does likewise.

Of course, for any sector to be unpopular among investors it usually must face a difficult near-term outlook. This can mean that cheap stocks face volatile periods over the coming months, as a weak global economic performance likely continues. However, history shows that buying unpopular stocks while they trade at low prices can provide generous capital returns over the long run. Valuations have often reverted to their long-term averages, thereby providing investors in today's cheap shares with high return prospects.

Buying financially-sound stocks

Clearly, not all cheap shares may be worth buying today. Some could be priced at low levels for good reason. For example, they may have weak financial positions or could lack a competitive advantage versus their peers.

As such, it is crucial for an investor to check their quality alongside their price. In other words, buying high-quality companies at cheap prices can be a far more profitable move. They could provide greater stability and less risk during a weak economic period. Meanwhile, their recovery potential in a likely long-term stock market rally could be greater than their weaker peers. Their wide economic moats may mean they can deliver greater profit growth.

Assessing which cheap shares are also high-quality companies is subjective. However, as mentioned, they are likely to include companies with solid financial positions, wide economic moats and the right strategies through which to navigate what could be a rapidly-changing global economy in the coming years.

Taking a long-term view

Even once cheap shares to buy right now have been found, it can take many years for them to deliver on their potential. As such, it is important to take a long-term view of any purchases made in today's volatile stock market. They could realistically decline in value in the short run depending on how political and economic risks unfold. But the past performance of the stock market suggests that a sustained bull market will take place, and today's undervalued stocks could be among the biggest beneficiaries.

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Date

2025/08/25

Date Created

2021/01/16

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