How I'd Aim to Find Stocks That Are Under-the-Radar Pandemic Bargains

Description

Despite the recent stock market rally, it may still be possible to unearth under-the-radar pandemic bargains. After all, a number of companies and sectors continue to be unpopular among investors due to their uncertain outlooks.

Through focusing on the quality of companies and comparing their valuations to those of sector peers, it may be possible to find attractive investment opportunities. Over time, they could deliver impressive returns in a potential long-term stock market recovery.

Defining under-the-radar pandemic bargains

Of course, different investors will have differing views on which stocks can be classed as under-the-radar pandemic bargains. However, they could include those companies that have solid fundamentals, including a sound balance sheet, but trade at low prices compared to their sector peers.

For example, a clothing retailer may currently be struggling to generate rising sales because of lockdown restrictions. Consumers may be avoiding spending on clothing because of a lack of opportunities for social interaction. This could mean a challenging financial outlook for the company in question. However, if it has a solid financial position that means it can survive and a wide economic moat, it could deliver a significant improvement in profitability as the pandemic subsides.

Furthermore, investors may have factored in many of the challenges faced by such businesses. This could mean that they offer wide margins of safety that make them under-the-radar pandemic bargains at the present time when purchased on a long-term view.

Searching for bargain stocks in unpopular sectors

Some sectors may be more likely to contain under-the-radar pandemic bargains than others. For example, the travel & leisure industry currently faces a very challenging outlook due in part to the impact of coronavirus. This may have caused many businesses to trade at low prices, since investor sentiment could be weak.

Where they have strong customer loyalty and sufficient liquidity to overcome present challenges, they could offer investment appeal. By comparing their current valuations to their historic averages, as well as to those of sector peers with similar business models, it may be possible to unearth the most attractive buying opportunities. While their share prices may remain unpopular for some time, they could offer strong recovery potential over the long run.

Building a portfolio

Clearly, under-the-radar pandemic bargains could experience further challenges in future. As well as the prospect of ongoing risks associated with coronavirus, they may struggle to adapt to a fast pace of change in the world economy. Therefore, it is important to build a portfolio that contains a wide range of companies to reduce risk.

Through identifying sound businesses that may be undervalued by other investors, it may be possible to generate attractive long-term returns. Over time, this could have a positive impact on an investor's portfolio performance as the world economy experiences a likely recovery from what has been an extremely challenging 12-month period.

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