Forget Gamestop (NYSE:GME): Buy Value Instead

Description

GameStop (NYSE:GME) stock has gone on yet another rally. After crashing down to $40, the world’s number one meme stock went on to climb for a *second* time in a year, rising as high as $338. While GME’s second rally didn’t *quite* take it back to its all-time high, it got pretty close, showing that memes have some staying power in the world of finance.

However, now is probably not the time to be jumping into GME stock. It is currently near the top of its historical range, while the underlying fundamentals are deteriorating. Continued Reddit promotion could send the stock higher, but that’s not something you want to bet the barn on. As we saw in the first GME pump, a rally based on internet promotion can come crashing down quickly. It took just three weeks for GME to go from $350 to $40. The same could happen again. If you aren’t prepared for such volatility, you shouldn’t put as much as one penny in meme stocks.

Fortunately, there is one type of stock that a relatively low-risk investor could buy and be comfortable with. It won’t make you rich overnight, but it could deliver decent returns over a very long time. In this article, I’ll explore this type of stock in detail.

Value stocks

Value stocks are stocks that trade for low prices relative to their earnings and book value (net assets). They often pay dividends and have historically outperformed other classes of stocks. In recent years, that hasn’t been the case, as high-growth tech stocks have stolen the limelight. But today, value may be set for a comeback. This year, we’ve seen a sharp upturn in banks and energy stocks — both of which fall squarely into the “value” category. With the economy set to re-open following COVID-19, it’s the stocks that got hit the hardest initially that will bounce back the fastest. And value stocks have the most to gain.

COVID-19 helped tech, harmed value

One of the reasons why tech has outperformed value until now is because of the effect of the COVID-

19 pandemic. Whereas traditional retailers were forced to shut down because of the pandemic, tech companies like **Shopify** only made more sales, because of increased online shopping. Naturally, that led tech stocks to rally and “traditional” stocks to decline. But with the end of the pandemic will come the end of the online shopping boom and the return to business as usual. That could benefit value stocks in a big way.

One great TSX value stock to consider

If you’re looking to invest in value stocks with strong prospects in the coming recovery, look no further than **Suncor Energy** (TSX:SU)(NYSE:SU). In 2020, it ran four net losses in a row, including a whopping $3.5 *billion* loss in the first quarter. Over the course of the year, the size of the loss shrank, but still — the company lost copious amounts of money in 2020.

That could be set to change. With oil prices coming back to life, Suncor can now turn a profit on its oil exploration. According to sources, Suncor needs $35 WTI oil to break even, and WTI is currently at $65. That would suggest that Suncor is likely to be profitable in this quarter. And the same should be true for most quarters after COVID becomes a distant memory.

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