



Be Greedy for This Canadian Stock While Others Are Fearful

Description

Warren Buffett [says](#), “Be fearful when others are greedy and greedy when others are fearful.” The first thing you interpret from this line is to buy when others are selling and sell when others are buying. In this article, I will dive into the psychology of investors and how it impacts a stock.

What do investors think?

Buffett is a fundamental investor, and his passive investing style has proven to be a winner in the long term. This is because a company with strong fundamentals has a higher probability of withstanding the crisis and emerging a winner. But fundamentals are just one of the many factors driving the stock price.

All the fundamentals set aside, it boils down to what investors think and feels about a stock. They can even double the stock price of a loss-making airline like **Air Canada** ([TSX:AC](#)) if they are greedy.

The rule of greed and fear only works for stocks with good growth potential. A quality stock suffers from the same investor sentiments as a weak stock. Many investors panic on short-term news and sell a quality stock for a lower price. When you look at such a stock see if the short-term fears are affecting its long-term growth. If not, it's time to be greedy and make the most of market fear.

How greed and fear impacts the stock market

Now, many people criticized Buffett's decision to sell airline stocks in panic in April 2020. You can say that short-term investors' greed took advantage of Buffett's decision. But is this growth sustainable?

Airlines have parked their unused planes on thin ice. Without a bailout, U.S. airlines couldn't have escaped bankruptcy. Air Canada is better off than most U.S. airlines in terms of balance sheet and losses. It has survived a whole year without a bailout and has the liquidity to go another year. It is for this liquidity that investors feared less and became greedy at every opportunity of revival. Hence, AC stock more than doubled in a year.

In the long term, fundamentals will take over the greed, and these investors will lose their patience if any of these airlines file for bankruptcy.

One Canadian stock to be greedy about

While AC is not a stock to be greedy about, **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) is. Lightspeed stock was one of the best-performing stocks of 2020. Its rally was backed by fundamentals (revenue growth). The pandemic broke the biggest barrier the company was facing, acceptance as a need-to-have technology.

Lightspeed is a software-as-a-service (SaaS) company, and the biggest challenge for them is to become sticky. The company accelerated its development in the light of the pandemic and introduced new features like curbside pickup, online ordering, and digital payments. The company saw an uptick in the retail sector, although the churn rate was high in the restaurant sector. This sent the stock down 20%, but it has found support at \$80.

Lightspeed stock's Relative Strength Index (RSI) of 45 shows that a large portion of investors is selling because they fear that the stock has already rallied to its potential. Lightspeed is a stock you can be greedy for as the company is [expecting](#) an uptick in the restaurant sector when the pandemic eases.

Moreover, the share will enjoy the seasonal rally in the second half of the year. Even if it reaches its high of \$104.98, it represents a 30% upside. It is not a bad bargain to be greedy on this stock when others are cashing out.

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