



1 Cheap Canadian Stock to Buy in an “Expensive” Market

Description

We’ve heard many pundits calling out this market for how “expensive” it’s become since its rise out of the depths of the 2020 stock market crash. The horrific coronavirus is still out there, and the threat of new variants poses a serious threat to the world economy’s rebound.

It’s not just worries of a potential fourth wave of COVID-19 lockdowns that’s on the minds of investors, though. A slightly more hawkish U.S. Federal Reserve is contemplating rate hikes for 2023. In response to the unprecedented uptick in the rate of inflation — something I’d warned investors of last year — a rate hike could come in as little as 18 months, if not sooner, to get the inflation genie back in the bottle

Cheap Canadian stocks are still out there

Undoubtedly, there’s a fine line between an overheating economy and problematic inflation and another lockdown-induced coronavirus recession. In any case, investors should be ready for anything to happen over the next 18 months, which may very well pave the most uncertain and volatile environment in years, if not decades.

In many instances, valuations are on the higher end. Many investors have grown accustomed to high-multiple stocks, with some younger folks inclined to speculate on meme stocks or cryptocurrencies, both of which could end in tears. Even some of the less speculative assets have been bid up in a big way, with price-to-sales (P/S) multiples on the higher end of the spectrum. Moreover, profitability seems to matter less for most risk-taking growth investors who’ve appeared to have subscribed to the dangerous “growth-at-any-price” investment strategy.

Value *always* matters

Growth always matters, even in an [uncertain](#) environment like the one we find ourselves in. That’s why I’m a huge advocate of stock selection right now. By picking your stocks, you’ll be able to steer clear of the value traps, pitfalls, speculative gambles, severely overvalued plays, and all the sort, as you look to

swing at the unloved names that almost everybody else has passed up on.

Sure, there are a lot of expensive stocks propping up this market. But don't think for a minute that there are zero opportunities to pay less than a stock's intrinsic value. There are still many out there. So, if you're willing to look and put in the analysis, you can likely scoop up cheap Canadian stocks in this "expensive" market.

Prospective returns may be on the lower end. Still, if you pick your spots carefully, I think you can put the broader markets to shame with solid long-term returns that don't require you to risk your shirt in assets like Bitcoin, Dogecoin, or **Tesla** — all plays that Dr. Michael Burry views as dangerously risky.

The temptation to reach for "sexy" growth plays with pie-in-the-sky multiples is high. But if you want to do better than markets this decade, it can pay dividends to put your contrarian hat on.

Deep value in Canada's neglected COVID-hit stocks

At this juncture, I find there to be deep value in some of the neglected reopening plays. **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) is one cash-flow-generative company that many have turned their backs on amid the pandemic.

Dining room closures have hit the company behind Tim Hortons, Popeyes, and Burger King pretty hard. But as the company gets up to speed on drive-thru, delivery, and digital (the three D's, as they're referred to in the fast-food scene), I think QSR stock has a cleared runway for takeoff, even if this pandemic does drag on for another few years.

Restaurant Brands felt the full force of the pandemic's impact, but as more people get vaccinated, and we reopen for good, QSR stock will have a huge weight taken off its shoulders, and I think it can finally march higher, perhaps well past the \$100 mark. Income investors can [appreciate](#) the 3.2% dividend yield, as they wait for the reflation and reopening trades to fuel the next leg up for the broader markets.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

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