# Forget a Correction: 1 TSX Stock I'd Buy and Hold Through the Year End

## Description

The stock market is in a strange spot right now, with the ongoing tug of war between the bulls and the bears. On one side, you've got strategists that are pointing to a 10-15% correction. It's long overdue, after all, so such a call isn't out of the ordinary, especially with the possibility of a taper tantrum that could follow a more hawkish tone given by the U.S. Federal Reserve. On the other side, you've got the bulls that think markets can keep on running.



Most recently, **Wells Fargo** raised its price target on the S&P 500, calling for another 8% worth of upside by year end. That's a pretty incredible gain for the next five months!

Before you subscribe to one forecast, either the bull or bear case, I'd urge you to consider playing both sides of the coin. Why? The pandemic remains as unpredictable as ever. And like it or not, subscribing to one big bank's year-end forecast is timing the market. Waiting around for a correction with substantial sums of cash can leave you vulnerable to inflation. And going 100% in equities at this juncture without a cash cushion could leave you feeling the full impact of the next drawdown.

## Don't pay too much merit to market correction forecasts!

In short, nobody knows what's up next for markets. Whether the S&P 500 is headed below 4,000 (a more than 10% decline from current levels) or 5,000 by the end of 2022 (around 12% upside) will be anyone's guess. At this juncture, investors should insist on uncovering value and pay less attention to bold calls made by market strategists. If you see a stock that you believe is trading at a sizeable discount to your estimate of its intrinsic value range, you should be a buyer. Just how aggressive of a buyer? That ultimately depends on the state of your portfolio and just how much value you see in a name and less about where the last talking head on TV thinks the markets are headed next.

It's as simple as that. Billionaire legends like Warren Buffett are all about focusing their efforts on things they can control, rather than attempting to predict the unpredictable. Buffett doesn't time markets, and he pays less merit to the economic picture. Instead, he focuses on what he knows best: the analysis of individual companies. By doing so, he doesn't waste his energy on what's already on the minds of everybody else in the market. Instead, he'll gain an edge over the average investor in a specific stock that he truly understands.

In this piece, we'll have a look at one Canadian stock that looks cheap today. They're not guaranteed to stay cheap tomorrow, next week, or next month, even if the markets decide to roll over in a correction that the bears have been calling for ad nauseam for many, many months now.

## CAE: A prudent way to play the economy's recovery

Enter **CAE** (TSX:CAE)(NYSE:CAE), a Canadian flight simulator manufacturer that's fresh off a 13% correction. I've often referred to the company as one of the safer ways to bet on the recovery in the air travel space without having to risk one's shirt on the more vulnerable cash-burning airlines.

Undoubtedly, CAE has a more attractive balance sheet, a healthier cash flow stream, and a more diversified business that goes beyond civil aviation. The company has bolstered its defence business, which should pay ample dividends for years to come, while smoothening out the turbulent ride that could be in the cards of civil aviation over the next three to five years.

The pandemic remains uncertain, and CAE is a more prudent way to gain reopening upside without having to risk too much, especially at these modest valuations.



Going into year end, I think CAE will continue trending higher, even if a fourth or fifth wave strikes by the holidays.

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