1 Deep-Value Stock That Could Rally as Markets Plunge

Description

Instead of worrying about what the market is already concerned about, consider checking out the many deep-value stocks that have gotten that much cheaper over the past several weeks. Many names across the board, including those that didn't deserve to selloff, have been hit pretty hard amid a wide range of fears, most notably higher rates. Indeed, that dreaded "s" word, *stagflation*, has been thrown around once or twice by the talking heads on TV.

We went from hype about the "Roaring 2020s" to a potential return of a 1970s type of environment, and all it took was a few quarters. Indeed, this is the nature of markets. Investors are always focusing on the extremes. Undoubtedly, the actual environment is likely to be less dire as the 1970s and probably less upbeat than the 1920s. In any case, investors should stay the course and be ready and willing to scoop up value that comes their way, regardless of how excited investors are at any given instance.

A painful October could follow a choppy September

This recent pullback feels painful, given we haven't had a correction in nearly a year and a half. Add the double damage done to high-multiple growth stocks into the equation, and many young, growth-savvy investors likely already have their portfolios down by double-digit percentage points. That's the importance of diversification. While the growth trade will heat up again, those who went deep in margin could risk getting wiped out. There's no telling how much further this selloff has to go. Regardless, investors shouldn't look to borrow to invest, because anything is possible in this kind of market, including a 20% selloff, as some bearish pundits seem to think we're in for.

With inflation pressuring savers and cash hoarders, there are few places to hide, as volatility kicks it up a notch. That's why we'll look at one of the best value stocks that can serve as a middle and do a better job of holding its value than the broader markets or the names that are in the centre of this selloff's crosshairs.

Without further ado, consider shares of **Fairfax Financial Holdings** (TSX:FFH), one of the many intriguing ways to play defence, as the market correction intensifies in October.

Fairfax Financial Holdings

Fairfax is an insurance and holding company run by the legendary Prem Watsa. The company fell into a slump well before COVID happened. Today, the perfect storm of headwinds has hit the firm. Still down over 20% from its 2020 high, FFH stock appears to be an excellent value for those who haven't given up on Watsa and his investment abilities.

Over the past five years, Fairfax has been a colossal underperformer, down 31%. Although the relief rally has since sagged, bringing shares down 13% off 52-week highs, I think investors in the name could do well in this latest selloff. Why? The stock looks to have a nice margin of safety after taking a constant beating over these past several years. The firm's underwriting capabilities aren't great, but they're improving. And I think Watsa could come out on top come the next structured recession. The man is all about balancing risk with reward. And once the tides turn, Fairfax could be spared from what could be some drastic downside.

The stock yields 2.5% with a price-to-book multiple of just 0.7. That's a nice payout at a considerable discount to book value.

CATEGORY

1. Investing

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