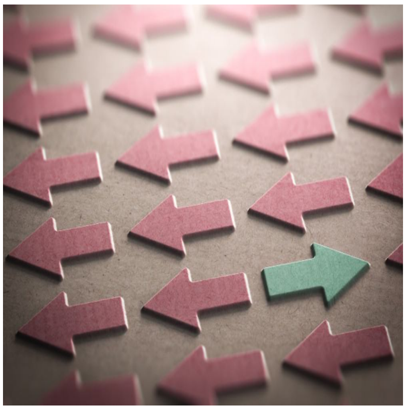

2 Hated Stocks You Might Want to Buy

Description

A stock is technically worth only as much as the investors are willing to pay for it. The assets and the fair value of the company, its revenue and growth prospects, and several other financial fundamentals come into play as well, but the stock movement is governed more by what a stock *is* and what the market *thinks* of it.

The stocks that are loved by the investors tend to trade for relatively higher prices and are often far off from their fair valuation. But that doesn't necessarily mean that the stocks the market *hates* are always undervalued. Still, there are benefits to buying hated stocks. In today's rapidly changing and highly interconnected market, it might not take a lot of sway market perception in the opposite direction.

And if a hated stock suddenly becomes beloved again, you stand to make a lot of money off of it. If that's the investment strategy you are going with, there are two stocks that should be on your radar.

An energy stock

Suncor (TSX:SU)(NYSE:SU) used to be one of the most investor-friendly dividend stocks in the energy sector, with its juicy yield and stellar history of growing payouts. But it all changed in 2020 when the energy giant had to slash its quarterly dividends from $0.4650 to $0.21 a share. The change was not very popular and is probably one of the reasons why Suncor is still trading at a price almost 38% down from its pre-pandemic peak.

This massive drop failed to make the company more discounted, but it did push the yield up, which would have been quite low considering how much the payouts were slashed. Suncor is also weighed down by its operational focus on oil sands.

But the energy sector is making a strong comeback. The demand for oil is rising, and the S&P/TSX Capped Energy Index has grown almost 35% from its late August valuation. The growth is reflected, albeit at a slower pace, in Suncor's stock as well, and buying this hated stock now might help you capture the growth this energy giant has yet to offer.

A restaurant stock

Restaurants Brand International (TSX:QSR)(NYSE:QSR) came into being from the merger of two major food chains — Tim Hortons from Canada and Burger King from the United States. The RBI umbrella extended to bring Popeyes in the fold as well.

Things were not going well with RBI, even before the pandemic hit and negatively impacted the restaurant business. Tim Hortons was losing money quarter after quarter, and for a few quarters, Burger King joined in as well, and its sales slumped. But these two business segments turned things around in the second quarter of 2021.

The consolidated sales growth was about 31.8%, and Tim Hortons was only slightly short of Burger King's growth (which led the way). This once-hated stock might see upward momentum building, especially if the third-quarter results are favourable. And if you buy now, you can lock in the attractive 3.4% yield.

Foolish takeaway

Investing in hated stocks (both growth and dividend stocks) is not as risky as investing in financial long shots, because public perception changes relatively quickly, and financial recovery takes time. But you should also look into the reasons why a stock is hated and its long-term repercussions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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