1 Plunging Canadian Stock I'm Not Selling!

Description

It's tough to be on the receiving end of a selloff, especially if broader markets are moving higher. Undoubtedly, many stock pickers are likely feeling defeated after a turbulent but still solid 2021 for the broader indices. With so many rolling corrections going on behind the scenes, many investors have either beat the markets big time or have trailed by a considerable margin. Indeed, nobody can beat the markets every single year. Some losses can be tough to swallow, but it's vital not to make drastic moves with your portfolio after already taking a major hit to the chin.

Undoubtedly, a lot of hard-hit names still have their long-term fundamental theses intact. These are not the type of stocks that you should be looking to rid your portfolio of on the way down. While it is wise to sell the stocks whose businesses have changed for the worse, this latest earnings season, I believe, reveals many shortcomings that are more transitory in nature. Indeed, we've heard the word *transitory* being used a lot lately, especially with reference to high inflation.

This too shall pass!

With COVID disruptions continuing to wreak havoc on the supply chains of many firms, this holiday season is still likely to be met with shortages. Whether it be computer chips or labour, firms have been feeling the squeeze in their operations over the past few months.

In due time, though, the pandemic will end, as too will the shortages and supply challenges facing many firms. In the meantime, firms that demonstrated relative operational performance will be able to best mitigate the choppy waters into the year-end. But that doesn't mean the many firms that couldn't steer clear of recent supply disruptions should be punished, especially since they may be in a spot to make up for lost time in 2022, when many shortages and constraints could have the opportunity to ease.

If anything, shortages could face a glut once the shortage is over with, given producers are ramping up like there's no tomorrow. At the same time, firms in need of scarcer inputs would be inclined to stockpile them given the opportunity. Undoubtedly, many companies fit the bill as being unfairly punished over near- to medium-term headwinds that we're likely to move on and forget about in 18 months from now.

Near-term pressures, long-term fundamentals still strong

Consider **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), a fast-food giant that's felt the squeeze of the labour shortage. Undoubtedly, labour shortages are hurting a wide range of firms, so QSR can't be blamed for its recent fumble. Still, it is worth noting that QSR hadn't mitigated risks as well as some other companies in the space. While the third quarter was nothing to write home about, investors must realize that the strength in brands will shine through over the long term.

There are no easy solutions to the labour shortage. QSR is likely to take a hit as it looks to invest considerable amounts in various efforts, ranging from modernizing drive-thrus to procuring enough workers. There may be a lot of uncertainty on the horizon, but arguably, the worst of the labour shortage may already be in the rear-view mirror. If that's the case, QSR stock's path of least resistance could be to the upside over the next several quarters.

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