New Variant of COVID-19 Could Punish Stocks

Description

Global stock markets fell on Friday, as a new variant of the COVID-19 virus is on the rise. The B.1.1.529 variant (also known as the Nu variant) first emerged in South Africa and has been reported as far as Belgium.

Experts say the new variant is far more infectious and much more resistant to existing vaccines. However, experts at the World Health Organization said it could take weeks and many more samples to fully understand the new variant's characteristics. However, fear and uncertainty are never a good mix for stocks.

The **FTSE 100** and **Nifty 50** dropped roughly 2.9% today. This morning, Canadian stocks are plummeting too. The Canadian stock market could also dip when it opens this morning. Investors are worried that a new vaccine-resistant variant could plunge us back into lockdown and strict border controls. The economic recovery could be suspended yet again.

What should investors do?

The best way to survive the previous stock market crash was to focus on high-quality stocks with low valuations. Relatively safe blue-chip stocks have delivered double-digit returns since March 2020. If we're facing another virus-driven bear market, these stocks could be the best bet.

Rogers Communications (TSX:RCI.B)(NYCE:RCI) is an excellent example. The stock took a brief dive during March 2020 but quickly recovered its value. The stock surged 45% to $67 a share by mid-2021. However, it is now trading lower due to the drama playing out in its boardroom.

The selloff has come at the back of squabbles on who will lead the company in the proposed merger with rival telecommunications company **Shaw Communications**.

Family disputes have permeated into the stock price leading to a significant loss of value. At stake is whether CEO Joe Natale should remain at the helm and spearhead the merger push. With Edward Rogers resuming control following the court ruling, there is some hopes that the squabbles, which have hurt the stock sentiments, could soon end,

The selloff creates an opportunity for investors. Since the valuation is so low, the risk of Rogers dropping during a panic is far smaller. Meanwhile, high-flying tech stocks with unreasonable valuations could see a deeper correction.

The company is fundamentally sound, which makes it an ideal safe haven.

Rogers fundamentals

The telecom giant delivered solid third-quarter results characterized by a positive adjusted EBITDA of $33 million. The company also delivered subscriber additions of 175,000, affirming that the company's wireless solutions are resonating well with customers in the highly competitive landscape.

Compared to rival telcos, Rogers Communication offers a favourable dividend yield of 3.3%, perfect for generating passive income. The stock is currently trading with a favorable price-to-earnings multiple of 18. The 11% pullback from all-time highs might as well offer an exciting entry point as a merger with Shaw Communication will only strengthen the company's growth metrics and long-term prospects.

CATEGORY

1. Coronavirus
2. Investing

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