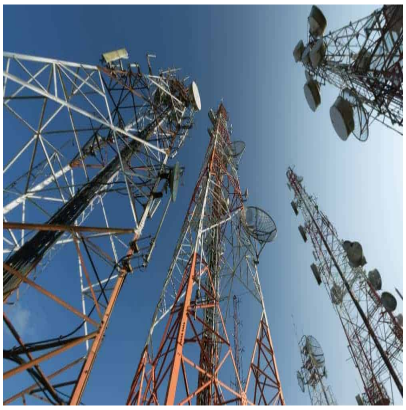

Market Sell-Off: 1 Value Stock That Can Rally Amid Rising Rates

Description

What a rough week it's been for the markets, with the Nasdaq leading the broader indexes to much lower levels. The **Nasdaq 100** just broke into correction territory (that's a 10% drop from peak to trough), and the TSX Index may very well be next up. Indeed, over a year of being correction-free, markets were really overdue for quite a spill.

As you'd expect, we've seen more of the same, with high-multiple stocks leading the charge lower, while profitable growth stocks continued following suit. With some of the biggest winners from 2020 now down close to 50% (or more), it certainly feels like the 2000 tech-focused stock market sell-off all over again. While it is too early to tell how this current market sell-off will stack up to the one suffered over 20 years ago, I do think that the biggest risk for new dip buyers is being too aggressive, too quickly.

Rates are rising. That's a given. The U.S. Federal Reserve may hike anywhere from three to five times this year. And if Jamie Dimon and Bill Ackman are right, the Fed may have no other choice but to deliver a hawkish surprise, given how horrific inflation has been. Here in Canada, inflation numbers came in just shy of 5%. With no peak or signs of slowing down, the Bank of Canada (BoC) will also need to get going as it hovers its hand around that rate hike button.

Market sell-off: Could this be the big correction we've been waiting for?

While many battered growth stocks may be incredible buys here, I wouldn't want to jump in front of them yet. Why? The expensive ones with zero profits and just price-to-sales multiples to go by are hard to value unless you know what rates are doing next. Indeed, growth stories are taking a backseat to the interest rate trajectory. Nobody can know for sure how many rate hikes we'll be dealt this year, but given inflation's surge, I'd argue that investors need to be ready for a hawkish pivot by central banks. Such a pivot could exacerbate damage in the tech sector.

That's why I'm sticking with value stocks. And in this piece, we'll look at one that can grow profitably over the next five or so years, even as rates gradually go on the ascent. Think **Telus** (TSX:T)(NYSE:TU), one modestly-priced value play that can march higher from here, even if we are in for the second coming of the tech bubble burst.

Telus: A top value stock that can do well amid a market sell-off

Telus is a telecom titan that we all know and love. The company has delivered stellar dividend hikes and steady capital gains over the years. With one of the most intriguing growth plans, I favour Telus over its peers, as it looks to significantly beef up its role in rolling out the next generation in telecom technology, most notably 5G. Indeed, 5G has been around for quite some time, and Telus has gotten top marks for its network thus far. Still, there's room to run with the network, and Telus will be hard at work improving upon its availability across the nation.

Though expensive, I do think Telus can continue its pace, even in the face of higher rates. Indeed, Telus is a growthy flavour of telecom, but it's one that's incredibly well run. As such, investors need to worry about the firm extending itself too far. With a solid balance sheet and a solid reputation among Canadian consumers, T stock looks like a value play that won't be dragged into the abyss alongside the speculative tech names.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jguest
2. joefrenette

Category

1. Dividend Stocks
2. Investing

Date
2025/07/24
Date Created
2022/01/22
Author
joefrenette