My Best Value Pick to Buy Amid the Market Plunge

Description

Market plunges can be scary, especially if we've gone without one for quite some time. Many beginners have likely never experienced a drawdown in excess of 10%. Indeed, volatility in broader markets was lacking last year. But there was vicious volatility going on behind the scenes, specifically targeted at some of the hottest names that flopped, surrendering most, if not all, of the gains enjoyed in 2020.

Undoubtedly, **Peloton** suffered a massive fall from glory and will be one of the examples that future market newcomers will look back on to remember the dangers of the "growth at any price" investment strategy. It's not just Peloton. There are many names like it that are in free-fall mode right now. And the bottom may be further away than many expect. Thus far, dip buyers have been hurt, and we're entering an environment that's very unforgiving to market newcomers.

Market plunge over higher rates: Time to get into value?

Like in the 2000 dot-com bust, investors who stayed out of trouble by standing by value stocks did all right at the end of the day. Those who gave into the euphoria got hurt, and they probably will be skeptical about entering markets in the future. It's a real shame to walk away from markets for good when you haven't really invested for the long term in the first place.

You see, short-term trading and speculation have been "sexy," not holding wonderful businesses for the long haul.

Can commission-free trading apps be to blame? Or is the excess liquidity that's been pumped into markets?

In any case, investors must remember that value can save you when momentum turns so violently.And in this piece, we'll have a look at two of my favourite value stock picks for the rest of the year. The2022 market plunge has made them somewhat cheaper. While they haven't fallen to the same extentas your average 2020 high flyer, they are unfairly in the penalty box. Even as rates rise, I think they'renothing short of compelling.

It's no mystery that I'm a huge fan of the financials, specifically the Canadian banks. They're a worthy hedge against rapidly rising interest rates. While neobanks and fintech disruptors are worth watching, as technology and financial services mix together over the next decade, I do think that it's a mistake to count out the innovative capabilities of the Canadian banks.

TD stock: A dividend value stock for the long haulk

Take **TD Bank** (TSX:TD)(NYSE:TD), which is innovating behind the scenes. While the company's mobile offering may not be at the same level as some fintech disruptors, I do think it can pick its game up to fend off a new class of rivals in the industry.

For now, TD is slated to enjoy a boost from higher rates. The higher the rates go? The more TD will be able to expand its margins—the same story with most bank stocks. Moving forward, look for TD to make a splash on the M&A front. TD's managers will be going bargain hunting. But even if they can't find a deal worth picking up, investors can expect any extra funds to line their pockets in the form of rich dividend hikes.

Indeed, there are tailwinds ahead. And the valuation may not yet reflect the magnitude of such tailwinds. For that reason, TD stock is the ultimate value, and I think it's as close a thing to the anti-Peloton as you'll find in this market. As Peloton nosedives, it could become more expensive as its fundamentals decay. On the flip side, TD could get cheaper as its stock soars, as the industry environment and company specifics improve drastically.

If TD does make an acquisition this year, look for the stock to trend higher, as analysts look at potential synergy opportunities. How to know TD won't run the risk of overpaying? There's no way of knowing for sure. But given management's strength, they don't strike me as likely to acquire for the sake of acquiring. They want to create value, and if there's none to create from any M&A, they'll stand pat.

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