Stock Market Correction: 1 High-Quality Canadian Stock to Buy in February

Description

Market corrections are painful, and there's no way around it. For Canadian investors who are in it for the long term, such vicious dips may actually be desired. While many names in the markets deserved to correct or even crash, many high-quality, profitable companies were also dragged lower. Such names that took collateral damage are worth picking up, even if pundits on the Street expect more blood. Indeed, as an investor, it's uncomfortable to throw money at a market that continues to make you feel incredibly stupid.

You buy one day, and then it's down big the next day and the day after that. It's so frustrating to buy corrections. We have no idea when they'll end and when we'll be shown to be smart. It could take weeks, months, or even quarters to see our dip-buying efforts pay off. But at the end of the day, the name of the game is buying pieces of businesses you love at prices you deem are below your estimate of intrinsic value.

February is coming: Don't leave a stock market correction emptyhanded!

Like going bargain hunting at the shopping mall, you've got to get a bit more for every dollar. The job of value investors is to get a little something for free. During corrections, the market is essentially having a sale, and you can get excellent discounts on merchandise that's not at all defective. Of course, you need to ensure what you're buying has no real fundamental issues. Further, you must also be mindful of the macro environment.

While top-down investing isn't everybody's cup of tea, I think that it's only wise to diversify, so you don't need to be on edge, worrying about what sector will get hit hardest next or whether the hardest-hit sector (today, it's tech. Two years ago, it was energy) will find any relief.

Stay diversified, and don't try to time Mr. Market or the U.S. Federal Reserve. Focus on spotting value and buy it, regardless of what any talking head says about the Fed's next move or what will happen next quarter. Odds are, such folks are looking in the rear-view mirror, expecting more of the same, or are taking some "leap of faith" by betting on a sudden reversal of trend. Such predictions aren't to be taken as gospel. They're to be taken with a grain of salt.

Couche-Tard: Growth at a reasonable price

The investment strategy of buying quality, profitable companies at discounts remains the go-to way to invest in euphoric markets (like in 2021) or in challenging markets (like today's). **Alimentation Couche-Tard** (TSX:ATD) strikes me as a glimmer of value in a rough market.

The convenience store operator has held its own rather well (down around 9%), but the stock has struggled to break out. All the while, earnings have crept higher, and the price-to-earnings multiple has compressed considerably. At 15.9 times trailing earnings, I believe Couche is severely undervalued, given its proven M&A growth strategy. As the firm hunts down its next big opportunity, I think investors patient with the name will soon reap the rewards.

Couche is incredibly well run and is well positioned to transition into the EV world far smoother than its peers. If anything, convenience store rivals that fail to transition to charging stations and frictionless, fresh food offerings could be gobbled up by Couche for a fraction of their worth.

Indeed, Couche is the ultimate value play, and I believe the stock has been unfairly depressed, albeit modestly on a year-to-date basis (down 7%).

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