2 Intriguing Stocks to Buy in Preparation for a Bear Market

Description

The stock market correction of 2022 has been quite unforgiving to investors. It's been concentrated in high-multiple growth stocks and started with jitters about interest rates that were likely to rise. Although the U.S. Federal Reserve has no desire to tank the stock market, its hands are tied given just how high inflation has surged. High inflation isn't just not ideal; it's a serious problem for consumers, especially those unable to obtain sufficient wage increases. As inflation continues climbing to multi-decade highs, I believe we'll reach a point where the pain of rate hikes (or the effect on the economy and corporate earnings) will be less than the cost of letting inflation continue to run.

Could the Fed be "behind the curve," as some seem to think?

It's probable, perhaps even likely. In any case, many new investors, especially those who got a bit too excited with the hot momentum stocks of 2020, are already in a bear market of their own. It certainly feels like a bear market (that's a 20% drawdown from peak to trough) these days. With the Ukraine-Russia crisis adding more selling pressure to a market that was already in turmoil, the bear may finally make a second appearance in around two years. Undoubtedly, salt in the wounds of an already ailing market paves the way for situations like these.

Still, long-term investors need not panic. Many stocks may prove to be worthy pick-ups, even as the S&P 500 looks to reverse last week's gains. While I don't expect the S&P 500 to fall into a bear market (20% from the top), I do think the stocks outlined in this piece are worthy bets right here, regardless of what ends up happening next. From a bottom-up perspective, both names look like great values.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is no longer just the smallest member of the so-called Big Five Canadian banks; it's a banking behemoth with a lot of momentum behind it. Indeed, management has done a great job of managing through COVID.

With an exceptional Q1 beat in the books, I think the stock has room to run, as the bank plans to split its stock. At $163 and change per share, splitting the stock seems peculiar. In any case, the split should open the door to more investors at a time when the bank could be ready to outpace the broader TSX.

At 11.7 times trailing earnings with a 4% dividend yield, CM stock is a great buy as it continues to impress Bay Street.

Manulife Financial

Manulife Financial (TSX:MFC)(NYSE:MFC) has been beaten down by COVID, but with rates and the economy looking to rise out of the crisis, I think it's hard to pass on the valuation, with so much negativity already baked in. Undoubtedly, the Asian business is key to next-level growth.

The slowdown in the region may be exaggerated at this juncture. In any case, I see a path to new multi-year highs in 2022. The stock goes for 7.3 times trailing earnings, with a 5.1% yield. Yes, insurers can be fickle in times of recession, but I think we're far from a recession, even if most Canadians are acting like we're in one already.

With the U.S. yield curve flattening, recession fears could pick up over the coming months. But pending an actual recession, MFC stock seems severely undervalued.

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