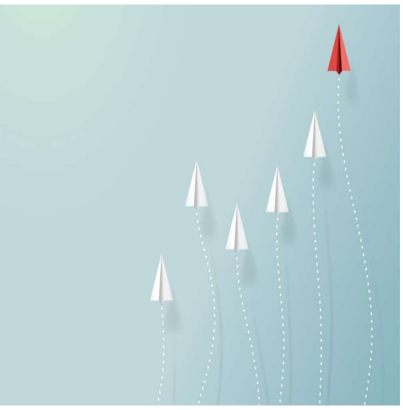

# Cheap Stock to Watch After Last Week's Market Surge

### Description

Last week's market surge caught a lot of investors off-guard, especially the overly bearish pundits who were so certain that the recent strength was nothing more than just a bear market bounce of sorts. Indeed, these short-term market timers were wrong. As always, though, markets are a tug-of-war between the bulls and the bears. And this time, the bulls were rewarded for their dip-buying, even in the face of profound macro headwinds and uncertainties.



Now, the list of risks has not been reduced by any stretch of the imagination. The Ukraine-Russia crisis is still going on, as too is the COVID crisis, with a new B.A2 strain that could cause the next outbreak across Canada and the U.S. in late spring. Now, whether or not it's severe enough to undo all the reopening progress we've made in recent months remains to be seen. I don't think it will, but another booster shot may be in the cards.

In any case, the world needs to get used to living alongside the insidious coronavirus, as it's unlikely to be eliminated this year. That's probably a huge reason why some of the riskier reopening stocks, like the airlines, are still in a funk.

## Market surges in the face of risk

Now, I'm not telling you to be complacent about the list of worries. Rather, I think investors should be prepared for anything, including a vicious reversal of the recent rally. That said, does the big bounce off market bottom seem sustainable with rates headed higher?

That depends on corporate earnings. And as the next round of results flows in, we'll get a glimpse of what type of growth corporations are experiencing in the first quarter of 2022. They could be stronger than expected, even in the face of supply chain constraints and higher input costs.

In any case, many investors have decided that they'll need to live alongside inflation, rate hikes, and waves of COVID. The best way to cope in such turbulent times? Stay diversified and focus on value. That way, you'll minimize your risks of skating offside, as momentum traders did in the back half of 2021.

## Market surge: catch-up stocks that are still cheap

After the last month of relief, investors should be more selective. Margins of safety are still vital in an era where prospective returns could lie on the lower end of the spectrum. Currently, simulator technology developer **CAE** (TSX:CAE)(NYSE:CAE) stands out as a very intriguing value bet at this juncture.

CAE isn't a household name that too many Canadians are familiar with. It's known for its flight simulators and pilot training programs. Amid COVID, many pilots have been short on work. As the reopening continues, I'd look for travel to continue inching ever so closer to some sort of semi-recovery. While I don't see pre-pandemic levels of travel anytime soon, I do think that a name like CAE is a better way to play the great reopening from COVID.

The company has an incredibly robust balance sheet and a defense business that can help the firm weather any future storms facing the civil aviation segment. At writing, the stock goes for $31 and change per share, making the $10 billion firm an underdog that could make up for lost time if the right cards fall into place.



## Another quarterly flop in the rear-view for CAE

Recent second-quarter numbers missed the mark, thanks in part to ongoing headwinds that could dissipate in future quarters. As COVID is conquered, though, and pilots need re-training, I'd look for CAE to surge higher, perhaps leading the upward charge once travel starts to get going again. Indeed, things are looking up for the firm after two years of relentless headwinds causing the stock to stall.

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