Buy These 3 Stocks if the 2022 Dip Follows the Pandemic Trajectory

Description

The **TSX Composite Index** has fallen almost 10% in about 15 days. It's the sharpest fall of the year, and the angle is quite close to the 2020 pandemic crash. If you missed your chance to buy discounted companies during the 2020 crash, you might consider buying now.

Note that it's not necessary for the stocks to behave the same way. But if they do, there are at least three stocks that should be on your watchlist.

A bank stock

Canadian bank stocks have a relatively milder fall compared to most other sectors and industries, and they went through a much more pronounced growth phase than the decline. However, most bank stocks are in correction mode right now, and if a crash *is* coming, it can trigger a much harder fall.

So, if you buy an outstanding dividend stock, like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), from the banking sector, you might be able to lock in a handsome yield, considering it's already at 5.1% now and that's when it's trading at a 16.5% premium to its pre-pandemic peak.

The banks skipped a year of dividend growth due to regulatory requirements, but when they restarted growing their dividends, most banks made up for the gap year. CIBC was one of the banks. The dividends are safe as the payout ratios have remained below 50% over the last 10 years.

A trucking company

TFI International (TSX:TFII)(NYSE:TFII) is one of the stocks that grew far more than they fell. It dropped roughly 38% during the crash, and the subsequent growth phase pushed the stock up over 440% at its best.

It's still trading at a 98% premium to its pre-pandemic peak, even after a 34% decline. But considering its current valuation and price-to-earnings ratio of 9.3, it seems like the stock has found its new normal baseline and that it was undervalued before.

However, if the upcoming earnings report change this number by a significant enough margin, it may contribute to accelerating the current fall and push the stock down closer to its pre-pandemic value. A full-blown market crash can do the same, and that would be an excellent opportunity to buy this stock, which may recover and grow to its 2021 peak again.

An aviation stock

Exchange Income Corporation (TSX:EIF), as an aviation stock, suffered one of the most brutal falls during the 2020 crash. The stock fell around 63.8% during the original crash. Currently, the stock is trading relatively close to the pre-pandemic peak, just about 9% down, and it has a yield of about 5.75%. So, you may be able to reach double digits or quite near it if the upcoming fall is the same as 2020 one.

And a good yield isn't the only thing the stock offers. You can also benefit from a decent recovery-fueled growth, which, at its best, pushed the stock up over 180%. One main difference between the last crash and the current dip is that aviation businesses fell organically due to low demand and fear of the coronavirus, and the current push is simply peer pressure by comparison.

Foolish takeaway

It would be a smart idea to keep an eye on the three stocks and see how they behave if the market falls further. All three can be held long term — CIBC and Exchange Income Fund for dividends and modest growth, and TFI International for powerful growth potential. And if you can grab a substantial enough discount, it may meaningfully impact your return potential.

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Author
adamothman