



Got \$3,000? 1 Simple Stock to Buy Before the Bear Market Ends

Description

Bear markets seem like a terrible time for a [new investor](#) to get started investing, but they're actually the best time to put money to work. Stocks have been trending lower non-stop in recent weeks. Many bulls have thrown in the towel, and various [growth investors](#) have seen their portfolios get decimated. Despite the damage at the hands of the U.S. Federal Reserve, I think there's hope for those willing to brave the market chaos and hang in there for what's sure to be a rocky next 18 months.

It's all about inflation these days. It's plagued us for too long, and central banks are ready to give a big dose of rate hikes to put the inflation genie in its bottle. Even a dovish central bank sounds incredibly hawkish these days. And it's because inflation has the Fed cornered, with few alternative tools to bring back the glory days of 1-2% inflation.

This inflationary bear market is an opportunity for the brave

The longer inflation lasts, the more battered the consumer will be. Though some would argue that central banks are fighting last year's battle, I think investors should resist the urge to panic. Indeed, crypto, stocks, bonds, REITs (real estate investment trusts), and even precious metals have been clobbered. Cash and cash equivalents have proven no better of late, with Canadian inflation still three times higher than where it is normally.

It's hard to be a buyer of stocks (or bonds) when everyone sees a recession in 2023. With muted expectations and much of the fear factored into markets, the risk/reward scenario is probably better than we think. Indeed, it's always darkest before dawn. And though things could get darker, I'd argue that long-term investors should continue to place bets on firms they know will be back on solid footing in two or three years' time.

If you've got an extra \$3,000 sitting around, it may be time to dip a toe into the equity markets with firms with strong payouts. At this juncture, leading Canadian furniture retailer **Leon's Furniture** ([TSX:LNF](#)) looks too cheap to ignore.

Leon's Furniture

As a discretionary retailer, the stock has been hammered, now down more than 36% from its peak of around \$25 per share. Amid the dip, the dividend yield has swelled to 4%. Indeed, furniture sales don't fare well during times of recession. Regardless, I've outlined previous secular tailwinds that were likely to outlast a 2023 market downturn.

A flood of young, first-time homebuyers could fuel impressive demand for furnishings over the next decade. While higher rates and economic pressure could weigh heavily on housing demand over the medium term, I think the coming rate surge and economic bust will follow another boom.

At writing, shares trade as though demand is going to fall off a cliff. At 6.1 times trailing price-to-earnings (P/E), investors are already looking for a recession to weigh heavily. As discretionary budgets and furniture sales dry up, Leon's P/E could expand further, making the stock hard to value for those unwilling to stay invested for at least five years.

With a 73% payout ratio, the dividend may be stretched, but it looks secure as the firm looks to adjust to a hostile environment.

Bottom line

Leon's is a deep-value stock that some may view as a trap, given its economic sensitivity. Despite looming pressure, I think expectations have already been adjusted drastically to the downside. Once markets are ready to look beyond the recession, Leon's could be very quick to bounce.

CATEGORY

1. Investing

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