



2 Emerging Market Stocks to Buy and Hold Forever

Description

Emerging markets are under a lot of pressure these days, with the world economy on the cusp of a painful downcycle. Indeed, emerging markets may be subject to higher growth prospects relative to developed markets over the long run. However, the extra growth comes at the cost of greater risk. Indeed, in dire economic conditions, the downside tends to be a bit more pronounced.

Undoubtedly, emerging market exposure is essential for younger investors who want a bit more jolt to their returns. Whenever investors can gain such exposure when recession risks are elevated, all the better. Though the added choppiness isn't great for the stomachs of most investors, I think that recessions tend to be great places to be net buyers of emerging markets plays — if not to bolster your total return prospects, then to improve upon your portfolio's geographical diversification.

In times like these, emerging markets add risk rather than reward. Once the tides turn, and markets are ready to return into bull mode, though, I'd argue emerging markets are the place to be for added medium-term upside. Though it's hard to tell how low this bear market will go, I view relative undervaluation in some of the TSX stocks that boast impressive international exposure.

Further, well-run firms with managers capable of mitigating additional risks that come with emerging markets may be worth their weight in gold through the eyes of an internationally diversified investor.

Without further ado, consider shares of **Bank of Nova Scotia** ([TSX:BNS](#)) and **Fairfax India Holdings** ([TSX:FIH.U](#)): two [cheap](#) Canadian companies with significant emerging markets exposure and exceptional stewards running the show!

Bank of Nova Scotia

Scotiabank is a Big Five Canadian bank that provides investors with a mix of domestic and international exposure. The Latin American banking business faces added pressure in times of recession. However, over the next 10 years and beyond, I think the elevated reward prospects more than compensate for such risks.

Indeed, it's tough to find a bank that can dodge and weave past a recession's endless punches. Still, Scotiabank deserves top marks for preparing for downturns and reacting accordingly. The big Canadian banks are already required to boast double-digit common equity tier-one ratios, so they're stress-tested for tough times.

Down around 29% from its all-time-high to \$66 per share, BNS stock is steadily approaching lows not seen since 2020. Undoubtedly, Scotiabank has sagged lower than many of its bigger brothers due to its emerging market exposure, which is bound to feel more pain than the domestic business.

At 7.9 times trailing price to earnings, BNS stock trades at a discount to the basket — likely due to its greater international presence. With so much recession risk baked in, I'd argue that now's a good time to go against the grain if you're lacking in international exposure and would like to gain such for the long haul.

Fairfax India Holdings

Fairfax India Holdings is a \$1 billion holding company that doesn't get much attention from the mainstream media. The firm invests in Indian securities, with legendary money manager Prem Watsa calling the shots. Though investing in the high-growth geography is harder and riskier, I view Watsa as one of the most capable managers out there. He knows how to spot opportunities on the international scene.

Given his immense patience and value approach, I think [investors](#) are in good hands with Watsa, even though investing in such an emerging market can be intimidating for Canadians who may not be able to name one business based in a market like India.

Prem Watsa is a big fan of Indian prime minister Narendra Modi. Though India's economic boom may hit a hurdle in 2023, look for Fairfax to be a buyer of the dip, as the long-term thesis is still very much intact. At 0.5 times price to book, FIH.U stock is just too cheap to pass up here.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:FIH.U (FAIRFAX INDIA HOLDINGS CORPORATION USD)

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