2 Wide-Moat Stocks That Could Soar Post-Recession

Description

Arguably, the risk/reward scenario has improved since last year, even though the perception of risk has increased. The last thing you want is a complacent market (like in 2021) that thinks nothing can drag it down. Indeed, we saw a glimpse of how far greed can go if left unchecked.

Now that the “fun” is out of the markets, and there’s nothing but pain, it may be time to give the beaten-down, blue-chip stocks another glimpse. They won’t be down forever. It could take quarters or even years to recover. But as a long-term investor, you have years to wait for your investments to bear fruit. What you don’t have is the appetite for chasing assets you cannot value. At the end of the day, valuation is the name of the game.

At this juncture, **CP Rail** (TSX:CP) and **MTY Food Group** (TSX:MTY) looks attractive from a long-term risk/reward standpoint.

CP Rail

CP Rail isn’t the most exciting stock in the world. It’s an old business that has not changed much over the decades. However, it’s this lack of change that makes it so enticing and predictable. In a prior piece covering CP’s rail peer, I’d highlighted the life-changing gains that railways provided over the span of decades. Indeed, you really don’t need to pursue exciting opportunities if you want to make big money over +20 years. Year to date, CP Rail has chugged 4.2% higher, while the TSX sunk into a correction.

Since 2002, CP stock has delivered for investors, with more than 1,500% in gains. Undoubtedly, those who just held through the financial crisis (which wiped out a considerable amount of market value) did just fine. It’s important not to panic when a recession looms. Instead, it’s far better to buy, as others become willing to sell to you at discounts to a firm’s intrinsic value.

At 33.8 times trailing price to earnings (P/E), CP stock looks expensive. But given its durable growth profile and its new Kansas City Southern acquisition (granting it Mexican exposure), the price may be worth paying, especially if shares sink lower into year’s end.

MTY Food Group

MTY is a casual-dining firm that took a left hook to the chin during the pandemic. Fast forward to today, and the stock is pretty much at levels it fluctuated in prior to 2020. At 15.2 times trailing P/E, MTY is an intriguing value play for those who wish to continue to play the strength at food courts. Indeed, recessions tend to drag on consumer spending. Less foot traffic at malls could bode negative for food court visits. Regardless, food courts are still one of the cheapest ways to dine out without breaking the bank.

Further, mall walks and necessity-based buying should not be ruled out. If anything, visits to the food court could remain stable, and MTY may have what it takes to add to its recent history of impressive bottom-line beats. The company has beaten on earnings per share for four straight quarters. Even as recession looms, investors should expect more strength, as the consumer continues to spend more time at malls and food courts.

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