3 Once-in-a-Decade Buying Opportunities in the Dow Jones Bear Market

Description

Investing in 2022 has proved quite the challenge. In the U.S., the technology-driven **Nasdaq Composite**, which was largely responsible for pushing Wall Street to new highs in 2021, has really taken it on the chin. Since hitting its all-time high nearly 11 months ago, the index has fallen by as much as 35%.

Likewise, the country's iconic **Dow Jones Industrial Average** hasn't fared much better. Even though it's an index comprised of 30 highly profitable, mature businesses, it hasn't been spared from falling into a bear market.

But the interesting thing about fear on Wall Street is that it almost always begets opportunity. Though a Dow Jones bear market can be scary due to the unpredictability and sudden velocity of downside moves, the quality of companies that comprise the Dow can lead to incredible opportunities for patient investors.

What follows are three once-in-a-decade buying opportunities within the Dow Jones Industrial Average as it plunges into a bear market.

Walt Disney

The first buying opportunity long-term investors may not see again is the chance to scoop up theme-park operator and content machine **Walt Disney** (NYSE:DIS) for about $100 per share. Disney's stock has declined more than 50% since hitting its all-time high, which marks the steepest decline from a previous high since 2009.

Walt Disney has undoubtedly navigated its way through some unforeseen struggles. The COVID-19 pandemic shut down many of its theme parks and substantially reduced its entertainment segment revenue, which covers films. But Walt Disney has seen its way through economic downturns and recessions before, and it's never failed to eventually come out stronger on the other end.

Few companies on the planet have the ability to connect with multiple generations of consumers better than Disney. Its theme parks bring friends and families together, while its extensive library of movies and shows can help children and their parent(s) or grandparent(s) find common ground in fantasy. This ability to engage with people across all generations is something no other content provider can match.

To build on this point, no other entertainment or content provider possesses the pricing power that Disney brings to the table. Theme park ticket-price increases for the company have vastly outpaced the prevailing inflation rate for decades — and people have demonstrated they'll willingly pay these higher prices to enjoy the unique experience Disney can offer. It's one of the few large companies that can honestly say it's well-insulated from inflation.

Walt Disney's inroads in streaming are impressive as well. Since launching its Disney+ streaming service less than three years ago, the company has signed up 152.1 million global subscribers. For context, it took **Netflix** more than a decade to reach the same number of subscriptions. Including ESPN+ and Hulu, Disney actually has more total streaming subs than Netflix. Over time, as expenses to build out its streaming service taper, Disney+ has a chance to become a serious contributor to the company's cash flow.

Disney is a growth stock that's trading at a value stock price-to-earnings multiple. That makes it a no-brainer buy at its current price.

Visa

A second once-in-a-decade buying opportunity during the Dow Jones bear market is payment processor **Visa** (NYSE:V). Except for the COVID-19 crash, which occurred over a five-week stretch in February-March 2020 (i.e., in the blink of an eye for patient investors), Visa's shares haven't been this far below their all-time high on a percentage basis since 2011.

Visa is a cyclical company, which is a fancy way of saying that it's going to ebb and flow with the health of the U.S. and global economies. If the tea leaves are correct and the U.S. does edge into a recession at some point, it's quite plausible a reduction in consumer and enterprise spending will hurt Visa's bottom line.

However, being cyclical is a two-sided coin that actually favors long-term investors. Although recessions are an inevitable part of the economic cycle, they usually only last for a couple of quarters. By comparison, periods of expansion are almost always measured in years. Buying shares of Visa allows investors to take advantage of the natural expansion of the U.S. and global economies and spending over time.

Visa has clearly defined opportunities domestically and abroad, too. It possessed a whopping 54% of U.S. credit card network purchasing volume in 2020 — that's 31 percentage points higher than its next-closest competitor — and was the only major payment processor of the big four in the U.S. to expand its share following the Great Recession (2007-2009). The U.S. is the world's leading market for consumption.

Meanwhile, most international transactions are still being conducted with cash. This gives Visa a multidecade runway to expand its payment infrastructure into underbanked markets organically or through acquisitions.

Lastly, investors should understand that Visa strictly avoids lending and sticks to payment processing. While the company would likely have no issue generating interest income and fees as a lender, doing so would expose it to credit delinquencies and loan losses during economic downturns. Since Visa doesn't lend, it's not required to set aside capital to cover inevitable losses during recessions. This is a key reason its profit margin remains above 50%.

Intel

The third once-in-a-decade buying opportunity in this Dow Jones bear market is semiconductor stock **Intel** (NASDAQ:INTC). It's been nearly a decade since shares of Intel were this far below their all-time high.

Intel, like Visa, is a cyclical company. When economic contractions or recessions arise, demand for chips and semiconductor solutions taper. Additionally, it's not uncommon for the pricing power of chipmakers to weaken during these downturns. With competitor **Advanced Micro Devices** recently slashing its sales forecast, it's plainly evident that chipmakers like Intel are contending with some tangible headwinds.

But as noted, time is the friend of cyclical stock investors. For example, Intel has opportunities that extend well beyond just personal computers (PCs) — i.e., where it's made its home for decades. As businesses shift their data into the cloud at an accelerated pace, demand for data centers is bound only to rise. Intel can take advantage of this by retaining a significant share of central processing units (CPUs) used in data center servers.

This leads to the next point: Intel's demise has been grossly overstated. Despite AMD chipping away at Intel's CPU share lead in PCs, mobile, and data center servers, Intel still retains the lion's share of the market in all three categories. These are effectively cash-cow segments that allow Intel to reinvest in manufacturing infrastructure, as well as put money to work in higher-growth initiatives.

Speaking of high-growth initiatives, Intel could benefit greatly from the upcoming spinoff and initial public offering (IPO) of autonomous vehicle company Mobileye. Intel purchased Mobileye in 2017 for $15.3 billion and expects the upcoming IPO to fetch in the neighborhood of $30 billion. This premium valuation comes on the heels of Mobileye hitting quarterly record sales amid 41% revenue growth in the second quarter.

Even the recently passed CHIPS and Science Act can be a boon for Intel. With Washington ready to subsidize nearly $53 billion in domestic manufacturing and chip research, Intel should have no trouble boosting its output to meet the demand needs of an increasingly digitized and technologically dependent world.

Sporting just over a $100 billion market cap and a $25 share price, we may never see Intel this cheap again.

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5. NYSE:V (Visa)

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