Market Rebound: 2 Stocks That Are Still Cheap!

Description

Last week's explosive rally following the tame U.S. inflation report may have caused the price of admission to go up across the board. Still, there are plenty of value stocks out there that could deliver superior risk-adjusted returns over the year ahead. In this piece, we'll have a look at two stocks that I think remain too cheap to ignore.

With a recession on many investors' minds, it's an unsettling time to chase sudden market rallies, especially given the number of short-lived bear bounces we've seen. Indeed, quick gains could reverse in a hurry, and those who are too quick to chase could be the ones left skating offside.

Market rebound in sight?

Undoubtedly, relief on the inflation front could be key to getting markets moving higher again. Still, there are other risks that investors should weigh. Bank of Canada could continue to raise rates, despite cooling inflation numbers. Indeed, the inflation numbers could allow them more flexibility, but investors betting on some sort of pause or cuts in the future may be setting themselves up for disappointment.

At the end of the day, investing is about buying shares of wonderful companies at easy-to-digest prices, not projecting where the economy, inflation, or interest rates will be in a year from now. Stick with cheap stocks and, in due time, the market rebound will reward you with sizeable gains.

Indeed, big gains tend to follow big losses. Those who suffer losses should stick around for the gains, even if it means running the risk of further losses over the near term. At the end of the day, the babies thrown out with the bathwater will be among the first to be scooped up again once market participants finally calm their nerves.

In this piece, we'll have a look at two blue chips: **CP Rail** (TSX:CP) and **Restaurant Brands International** (TSX:QSR).

CP Rail

Billionaire investor Bill Ackman can't seem to get enough shares of CP Rail. The famed hedge fund manager took a big stake earlier in the year, topping up again (by 15 million shares) in the latest quarter, according to Pershing Square Holdings's latest 13F filing. Undoubtedly, CP Rail is one of those sleep-easy stocks that you can buy on dips without worrying about how much macro headwinds will weigh.

The fast-moving rail giant broke all-time monthly tonnage last month. Though a recession looms, it seems like it's full speed ahead for CP. With Kansas City Southern in the mix, and a big investment in new grain hoppers, CP may be ready for to surge higher, even as the economy shows fragility.

CP stock was up 3.2% on Wednesday. With record grain shipments and one of the widest economic moats in Canada, the stock is worth a lofty premium. At $103 and change per share and 33 times trailing price-to-earnings (P/E) ratio, the stock looks expensive. Given its earnings momentum, though, it's arguable that shares may not be pricey enough versus its impressive growth.

Restaurant Brands International

Restaurant Brands is another dividend-growth superstar that had a big Wednesday session of trade, surging more than 7% on the day. Coincidentally, Bill Ackman also owns a big stake in the restaurant behemoth. Powering the big up move was news that Patrick Doyle is joining the team as executive chair.

Doyle is a turnaround master and seems to be the right man for the job, as QSR looks to get Burger King and Tim Hortons back into the spotlight. Indeed, QSR has a track record for relentless cost cuts. Cuts that have proven far too deep. Over the past year, management has pivoted, committing to big investments to regain market control.

With Doyle aboard, I think QSR went from laggard to one of the most intriguing stories in fast food. At 20.7 times trailing P/E, the 3.7% yielder is a bargain hiding in plain sight. Ackman continues to invest in the name, and Canadians would be wise to follow his lead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CP (Canadian Pacific Railway)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin

4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/07/07
Date Created
2022/11/18
Author
joefrenette