Got $5,000? Buy and Hold These 2 Value Stocks for Years

Description

It's been a weird start to the year for markets, with volatility continuing to take hold. Indeed, volatility works in both ways. With markets rallying modestly only to pull back on various pieces of news, Mr. Market seems to have lost direction, as news of massive tech layoffs and Federal Reserve talk causes a bit of a tug-of-war between the bulls and the bears.

Indeed, the bear made its presence felt in 2022, at least in the United States. This year, we may see more of an even battle between bulls and bears, even as recession odds begin to creep higher. It's hard for markets to look past a recession that's not even here yet. However, it's worth remembering that stocks tend to be a better investment over the long run when sentiment is weak, volatility is high, expectations are reduced, and investors are a tad more skeptical. Even if earnings continue to stall over the coming quarters, I continue to view stocks favourably over the long run.

Whether risk-free securities like GICs (Guaranteed Investment Certificates) with the higher rates will fare better than value stocks this year remains to be seen. In any case, I think those looking to invest over the course of decades shouldn't keep passing up the stocks that are thrown into their strike zones.

Mr. Market seems to be all over the place these days. He remains unpredictable amid growing macro unknowns. As such, investors shouldn't try to predict his next move. Instead, look at the names that he may be unfairly punishing. On those really bad weeks, investors may have a chance to catch Mr. Market in an overly gloomy mood and pick up stocks that can provide you with a better risk/reward.

In this piece, we'll look at two intriguing "value" stocks to watch closely as we head into the midpoint of the first quarter.

Restaurant Brands International

Restaurant Brands International (TSX:QSR) is a fast-food juggernaut that actually ended 2022 in the green. With shares up more than 28% over the past year, the firm behind such names as Burger King, Popeyes Louisiana Kitchen, and Tim Hortons is going into the year with some nice momentum behind it.

Can the momentum continue as recession headwinds arrive? I'd say it's likely QSR stock will continue to move higher from here, not only given favourable industry dynamics (fast food can take share from other restaurants in tough times), but due to transformative changes at the firm.

Undoubtedly, QSR has a lot of potential in its brands. But management hasn't been able to leverage them in a way to keep shares riding high. There's a lot of competition in fast food and plenty of technological advancements that call for greater investment by firms.

Whether we're talking about menu innovation to get consumers coming back, mobile ordering, or automated stores, there are a lot of areas for QSR to invest in its future. Management is realizing the importance of spending money to make money. As it does, look for QSR's four brands to begin to eat away at its rival's lunch.

Longer term, look for QSR to put up a greater fight against rivals, as it continues to bet on tech advancements that could lead to long-lasting margin enhancement.

CN Rail

CN Rail (TSX:CNR) is another blue chip that ended 2022 with positive gains. Up nearly 7% over the past year, CN Rail is a freight train that may be tough to stop going into 2023. The rails will feel macro headwinds, but they'll play an important role in helping aid the ensuing recovery. As global supply woes ease, look for CN to keep doing its best in spite of the bleak environment.

At 23.4 times trailing price to earnings, CNR stock makes for a great addition on any dips. Despite the impressive performance, CNR stock has plunged by 7% or more on three separate occasions. Shares may not be a "steal" today, but versus the rest of the market, CNR stock seems worthy of picking up.

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