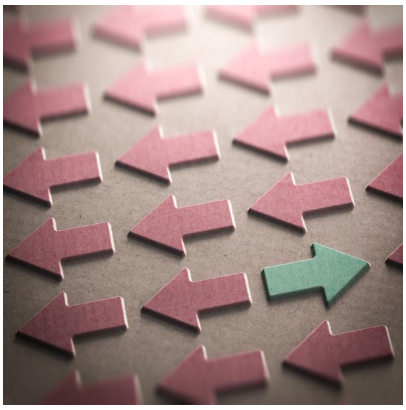

2 Stocks to Buy If You Like to Zig When Others Zag

Description

It's hard to be a contrarian investor at any given time. When stocks heat up and everyone around you is making money, it's tough to go against the grain and take a bit of profit off the table. Why do that when more gains seem to be in the books with every trading session?

On the flip side, it's also not easy to buy while most others around you are selling. Indeed, the stock market had one of its worst years in 2022, as central banks raised rates. Though 2023 is off to a great start, the U.S. Federal Reserve remains hawkish. After last Thursday's inflation report, more rate hikes could be in the books to truly conquer the post-COVID inflation that's proven more transitory than the Fed initially expected.

Contrarian investing: It's hard to do, especially as markets turn

With AI hype giving big-tech names a jolt over the past month and a half, the growth plays that led the downward charge have been showing signs of life. Some may be quick to shoot down the AI hype induced by OpenAI's ChatGPT. While generative AI may very well be the next big hit technology, the trend is unlikely to put an end to the selling pressure if rates in the states continue pushing higher. Indeed, 5–6% rates may have a severe impact on the high-growth stocks that still have yet to make efforts to push toward a sustainable profit.

As the bulls and bears continue to duke it out, I'd much rather be in the neglected names that may have gotten left behind, or even forgotten about. Sure, there are a lot of relief gains to be had from plunging tech stocks. However, there are easier ways to make money in this market if you're no fan of the type of turbulence we've seen from the sector over the past year.

Consider **Air Canada** (TSX:AC) and **Spin Master** (TSX:TOY), two intriguing deep-value names that I think could add to their strong year-to-date rallies. At writing, AC and TOY stocks are up around 20% and 10%, respectively, so far in 2023. Unlike the forces (rates) moving the speculative tech stocks, I think value and company-specific improvements can help power each name higher from here.

Air Canada

Air Canada stock may have let down the investors who bought it during the crash of 2020, expecting some sort of V-shaped recovery. Though the airline stock has continued to be turbulent, the firm has made vast improvements since the early days of the pandemic. Air Canada was faced with profound operational challenges, but I think it's safe to say the firm has risen to the challenge and the worst is now in the rear-view mirror.

Though a recession could take away from the recent air travel recovery, I still think the continued path towards normalization will help Air Canada stock continue its ascent. For now, AC stock will be a choppier ride than the TSX, with its 2.3 beta.

Spin Master

Spin Master is a toymaker that goes for just 9.8 times trailing price-to-earnings. Recently, the firm pre-announced weaker revenue numbers. Amid macro challenges, you really can't blame the firm for coming up short.

With expectations lowered and continued innovations coming out of the pipeline, I view TOY stock as a value gem that could be among the fastest to recover once the worst recession headwinds begin to fade. With a 1.9 beta, Spin will be a choppy ride, but do remember that volatility goes both ways. At these depths, the long-term risk/reward seems terrific for new investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:TOY (Spin Master)

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3. Koyfin
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