

5 ‘Drunken Psycho’ Stocks to Buy

If you can look past the eye-popping description, Warren Buffett’s assessment actually underscores a savvy investor mind-set

By [James Brumley](#), InvestorPlace Contributor | Jan 8, 2015, 2:35 pm EST

The Oracle of Omaha has spoken, and he didn’t pull any punches when he described Mr. Market as a “drunken psycho.”



Source: Grab Media

While it’s a humorous characterization, the world’s best-known investor wasn’t joking when he uttered those words last month while chatting with Quicken Loans Chairman Dan Gilbert and President Jay Farner. [His full take on how the market works](#) was:

“This imaginary person out there — Mr. Market — he’s kind of a drunken psycho. Some days he gets very enthused, some days he gets very depressed. And when he get really enthused, you sell to him and if he gets depressed you buy from him.”

While not as eloquent as his usual adage “be greedy when others are fearful, and be fearful when others are greedy,” both descriptions of the market’s reality are on target.

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More important to investors, it’s a reality that’s inescapable — Mr. Market *really is a lunatic* on occasion. That’s not a reason to steer clear of stocks altogether, however. In fact, the market’s wild antics occasionally create opportunities.

With that in mind, here are five “drunken psycho” stocks to buy explicitly because their selloffs were needlessly overdone by an overly volatile market.

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Drunken Psycho Stocks to Buy: Trinity Industries Inc (TRN)



Railroad car manufacturer **Trinity Industries Inc** ([TRN](#)) fared well enough after crude oil started to tumble in June, but by October when it became clear that crude wasn't going to turn around anytime soon, TRN stock started to pay the price.

The core of the concern was twofold. As oil prices fell, coal demand slumped. But as oil prices fell, domestic production of oil itself was also threatened. That threat is still on the horizon — and has even been put into motion on some fronts — though it's looking like the rail industry is going to end up just fine.

As evidence to that end, competing rail car-maker and refurbisher **Greenbrier Companies Inc** ([GBX](#)) [recently reported much-better-than-expected Q1 results](#). Odds are good Trinity Industries also is going to post similarly impressive numbers later this month.

After falling a hefty 48% since peaking in September, the potential for a major rebound means TRN stock deserves a spot on this list of stocks to buy in early 2015.

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Drunken Psycho Stocks to Buy: First Solar, Inc. (FSLR)



Solar stocks also have fallen sharply with the implosion of crude oil prices. Shares of **First Solar, Inc.** ([FSLR](#)), for example, are down more than 40% since September because traders were convinced that cheap oil — and by extension, cheaper natural gas — would put new solar panel installation projects on hold.

Now it's becoming clear this might not be the case ... at least not to the extent presumed.

As **SolarCity** ([SCTY](#)) [CEO Lyndon Rive explained](#):

“I think people put energy in one big bucket, and oil, of course, falls into the energy bucket. But you have to look at how electricity is generated. In the U.S., almost no oil is used to create electricity.”

As for First Solar, there's yet another reason besides its needless selloff that it's one of a few drunken psycho stocks to buy at this time: Analysts (still) love it, and are saying so publicly.

Standpoint Research [upgraded FSLR stock](#) to a "buy" earlier in the week, and even though Baird lowered its price target on First Solar, [its new price target of \\$62](#) is still 47% higher than the current price of \$42.

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Drunken Psycho Stocks to Buy: Caterpillar Inc. (CAT)



Add **Caterpillar Inc.** ([CAT](#)) to your list of drunken psycho stocks to buy too.

Like most other industrial names that have been selling off of late, CAT stock is off 20% since July thanks to crude oil's tumble. In fact, the stock was recently downgraded from "neutral" to "underweight" by JPMorgan [specifically because of its exposure to the oil and gas industry](#). Some suggest as much as 15% of its revenue is driven by the oil industry. The strong U.S. dollar isn't helping overseas sales, either.

So what, pray tell, makes Caterpillar such a hot buy here?

Contrarianism. Things (mostly perception) couldn't plausibly get much worse for CAT stock than they are right now, and as Warren Buffett also explained in his drunken psycho spiel, when Mr. Market is depressed, you buy from him.

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Drunken Psycho Stocks to Buy: International Business Machines Corp. (IBM)



Just so there's no confusion, **International Business Machines Corp.** ([IBM](#)) has plenty of real — not just perceived — problems, not the least of which is that it's still waist-deep in a software, hardware and services paradigm.

It's a problem, as the world is moving away from those ideas and moving increasingly toward public clouds and self-service, which necessitates a more robust cybersecurity effort — things IBM isn't known for in the least. The fact that International Business Machines has seen revenue dwindle on a year-over-year basis for 10 straight quarters now underscores the idea that it's increasingly irrelevant.

On the flip side, it's not as if these problems are insurmountable, even though the market has priced IBM stock as if they are. All told, IBM shares have lost 20% of their value since April, as any lingering optimism was wiped away by the last couple quarters' disappointing results. The end result is a stock trading at a trailing price-to-earnings ratio of 9.4 that erroneously underestimates the brewing turnaround effort that's finally getting traction.

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Drunken Psycho Stocks to Buy: Mattel, Inc. (MAT)



After falling 34% in 2014, **Mattel, Inc.** ([MAT](#)) can be named as one of the market's most underappreciated and underestimated stocks to buy in 2015.

Though it took a little too long to start shaking things up when the toymaker started to struggle in early 2014, in December, Mattel finally admitted to itself it needs fixing. The first step was putting [new employee guidelines](#) in place that should not only cull the amount of time wasted in meeting, but also make fun toys rather than corporate management a priority again.

Although it still could take a while for the overhaul to get traction, waiting until the turnaround is clearly, decisively working would be too late to step into MAT stock.