2 Oversold Canadian Value Stocks to Buy Today

Description

The Canadian markets have had a very underwhelming 2017 so far, while our neighbours south of the border have been moving steadily towards new highs.

While it can be tempting to ditch your Canadian holdings in favour of U.S. stocks (there's a better exchange rate now!), I believe it's a smarter idea to go looking for value on the TSX, since there are quite a few beaten-up businesses that you can pick up at significant discounts to their intrinsic values.

Sure, the Canadian dollar makes investing in the U.S. more attractive, but let's face it: U.S. stocks are a bit frothy right now, and there are many reasons to believe that the Canadian markets will start to outperform as fears over oil prices, a frothy housing market, NAFTA concerns, and tax changes gradually start to fade.

I believe these fears are overblown, especially considering the fact that many businesses trading on the TSX aren't really affected by a lot of these issues.

Instead of worrying about the markets, just consider individual businesses themselves and buy shares of the ones that have real long-term, durable, competitive advantages.

Here are two Canadian stocks that are oversold and have considerable margins of safety at current levels.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is a solid Canadian bank that is trading at a huge discount to its peers in the Big Six. The bank is expanding to the U.S. to improve the quality of its earnings over the long term.

The general public is afraid of a Canadian housing market collapse, and because of this, CIBC has taken a major hit on the chin because of its hefty exposure to domestic mortgages. CIBC doesn't think a housing meltdown will happen, so it'd been beefing up its mortgage portfolio, which is making many investors very nervous.

For those who believe that the fears of a housing collapse are overblown, CIBC is a fantastic bargain stock to own for the long run. Shares currently yield 4.81% and trade at a mere 9.82 price-to-earnings multiple.

Fairfax Financial Holdings Ltd. (TSX:FFH)

Fairfax CEO Prem Watsa got caught with his pants down as the markets soared, while he held a considerable number of shorts and hedge positions. Mr. Watsa has since become more bullish on the markets in general since Trump became president.

While Fairfax has been a huge loser over the past few years (down ~28% peak to trough), it's unlikely that the company will be held down for too long. Prem Watsa is known as Canada's Warren Buffett for a reason. He's a great investor who's concerned about minimizing downside in the event of economic downturns.

Unlike Buffett, Prem Watsa believes in paying his investors a dividend, so collect the 2% yield, while you wait for shares to get back on the right track.

Bottom line

Be greedy while others are fearful with these two incredible businesses that have taken a temporary step backwards. You'll likely be thanking yourself in three years from now.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

1. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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