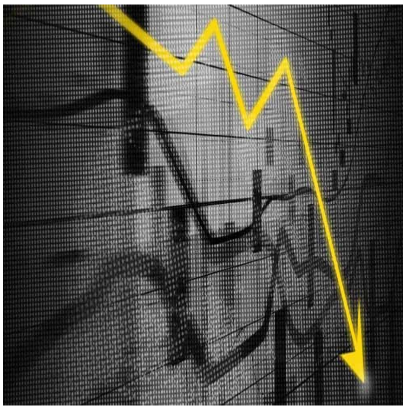

3 Discounted Stocks to Buy During the Correction

Description

For long-term investors, corrections are among the best buying opportunities available. By driving prices down, they make stocks cheaper and drive dividend yields higher. Although down markets can eventually spiral into economic downturns that damage fundamentals, that's not always the case. And when it's not, those who buy during corrections prove to be long-term winners.

We're currently in the midst of a major correction, with the TSX having shed 11.6% of its value from the start of 2018 until the end, and even more from the 12-month high. At the same time, fundamentals are stronger than ever, with corporations posting record earnings and unemployment the lowest it's been since 1976. This is looking like a classic buy opportunity — and indeed, many great stocks have been unjustly beaten down. The following are just three of the many bargains up for grabs.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Scotiabank is one of Canada's best banks, with consistent earnings growth, a 30% profit margin, and 13% return on equity. The stock's dividend yield is 4.94%, which is well ahead of the TSX average. Despite all this value, the stock has been hit hard in the markets, trading at just 8.6 times projected earnings and 1.35 times book value. This is a bargain stock if there ever was one.

Canadian Pacific Railway (TSX:CP)(NYSE:CP)

Canadian Pacific is a railway company that primarily transports grain and coal. It operates in Western Canada and the Midwestern United States. Like all railway companies, it enjoys two huge advantages: cheaper shipping costs compared to trucks and a natural monopoly over its service area. These features contribute to Canadian Pacific's phenomenal 37% return on equity and 22% year-over-year earnings growth. Despite this fast growth, Canadian Pacific trades at just 15 times earnings, with a PEG ratio of 1.06. This stock isn't quite as dirt-cheap as Scotiabank, but it has the advantage of growth and value in one package.

Canadian Tire (TSX:CTC.A)

Canadian Tire, as you're probably aware, is a retailer that sells auto parts, tools, camp gear, and recreational products. In Q3 2018 (the company's most recent quarter), revenue was up 11%, while diluted EPS was up 21.7%. This is phenomenal growth for a company that's already massive and was no doubt made possible by the company's many acquisitions, including clothing retailers like Mark's and Helley Hanson, which they've begun opening near their Canadian Tire stores to boost sales. Same-store sales growth was also up 2.5% in Q3.

Canadian Tire is a profitable, growing company, with a "deep" acquisition strategy that goes well beyond buying up companies to collect their earnings. Despite this, the company trades at just 11 times forward earnings and two times book value. If you're looking to buy up a great retail stock on the cheap, now would be a good time to load up on Canadian Tire shares.

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