2 Embarassingly Mispriced Stocks to Buy Right Now

Description

Don't count on Mr. Market to do his job properly all the time, especially when it comes to the **TSX** index. There are a ton of out-of-favour stocks out there, and this piece will explore three of the timeliest bets that a prudent investor could make today in these times of troubled trade, tariffs, and tension.

Industrial Alliance (TSX:IAG)

The macro environment hasn't been kind to Canada's financial plays. Industrial Alliance, a diversified non-bank financial, insurance provider and wealth management play, has been feeling a considerable amount of pressure as investors geared up to sell the domestically overexposed name whose growth profile pales in comparison to its bigger brothers in the insurance space who've doubled down on the higher growth Asian markets experiencing a booming middle class.

Sure, the higher ROE opportunity in Asia is attractive, but with Industrial Alliance, you're getting something totally different, but equally as attractive if you consider yourself a risk-averse investor.

"You have to respect Industrial Alliance for doing a stellar job of mitigating its risks and not following the rest of the pack when it came to the firm's dividend policy," I said in a prior piece. "While a 3.44% yield may not be enough when you could easily score a 4-5% yield with one of Industrial Alliance's peers, I believe that the value proposition is far superior at this juncture."

You're getting excellent risk management in comparison to other Canadian insurers, and best of all, you're getting tremendous value from the under-the-radar name, which has been passed on because of its lower dividend yield and its lack of Asian growth prospects.

The stock trades at 8.8 forward earnings with a considerable margin of safety, I believe, over its peers in the insurance space.

Linamar (TSX:LNR)

Here's a stock that's so out of favour that an imminent economic recession is already baked into shares. As you may know, the auto part makers are incredibly cyclical and tend to blow up in the face of investors once the economic dives. The inverted yield curve, Trump's trade war with China, sluggish growth in the Canadian economy, freefalling mortgages, and falling auto sales all point to a recession at some point over the next few years.

When it comes to Linamar stock, it appears as though we're already in the midst of a severe economic downturn. Investors are ready for earnings to fall off a cliff, and the stock has sold off despite healthy cash flows and earnings that are expected to continue flowing in over the next year.

So, when will this earnings flop going to happen? If the Fed cuts rates before Trump ends his trade spats, we'll be in for another leg of the bull run, and the current sell-off in Linamar would have been for nothing.

Yes, we're in a slowdown, and auto sales look "peaky," but at 0.7 times book and 0.4 times sales, you're getting a ton of upside potential for a ridiculously low price. If this isn't peak auto, I'd look for an upside correction.

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