TFSA Investors: 3 Cheap Stocks to Buy Now

Description

The S&P/TSX Composite Index rebounded in a big way through mid April — up by almost 9%. As we near the end of the month, volatility has returned, and the Index is still down by 18.30% in 2020. Now that uncertainty once again reigns, it is time for TFSA investors to look at adding to their portfolios.

The mid-April rebound was dominated by a few industries, and there remains several high-quality stocks that are trading at cheap valuations.

TFSA investors' must-own stocks

In Canada, there are very few *must-own* stocks. These are stocks that form the bedrock of one's portfolio. There is, however, one sub-set of stocks that remain ultimate foundational stocks — Canada's big banks.

At this point in time, there is no bank that offers better value than **Bank of Montreal** (TSX:BMO)(NYSE:BMO). The bank is the worst performing among its peers, down 33.99% in 2020. It is now trading at only 7.21 times forward earnings and 1.02 times book value. This is among the cheapest of the Big Five.

Likewise, the Bank of Montreal is trading at a 38% discount to its historical average. This is by far the biggest discount of the group. The bank hasn't traded this low since the peak of the Financial Crisis.

The bank now yields close to a record high 6.21%, and it is one of the safest dividends on the planet. BMO is the longest-running dividend-paying company in Canada. For more than a hundred years, it has paid an uninterrupted dividend.

TFSA investors would be wise to take advantage of this once-in-a-decade opportunity.

Income generation

Canada's real estate industry has been one of the most impacted by COVID-19 measures. Not even the largest in the country are immune to the downfall.

RioCan REIT is one of the country's biggest whose properties are anchored by large retailers. These include the likes of Bank of Montreal, **Dollarama**, and **Costco**.

RioCan stock has plummeted and is now trading at $15.39 per share. That's well off the company's 52-week high of $27.92 per share. It is now trading at 6.93 times earnings, the cheapest it has been in almost a decade.

TFSA investors looking for income are best to take a hard look at RioCan. The company's dividend is now yielding 9.36%, which is once again near a decade high. RioCan's ability to collect rent in the current environment is at the heart of the company's struggles. Fortunately, RioCan's strong portfolio of tenants is proving to be an asset. Thus far, it has collected approximately 90% of rents owed for the month of April.

A cheap tech stock

Thus far, technology is the best-performing industry of the year. TFSA investors who have significant tech exposure are likely to be topping market returns. In fact, many tech stocks are reaching record highs, and most in the industry are trading at high valuations. There is one, however, that stands out for its low valuation — **Celestica** (TSX:CLS)(NYSE:CLS).

Celestica is an electronic manufacturing service company that is currently trading at a steep discount. At only 0.45 times book value, it is one of only two tech companies that is currently trading below book value.

Likewise, it is the cheapest tech stock based on sales (0.11) and forward earnings (6.75). TFSA investors should take a hard look at Celestica. With expected earnings growth rates averaging 30% over the next couple of years, Celestica sports a tiny P/E-to-growth ratio of 0.11. Investors would be hard pressed to find a cheaper growth stock.

Analysts agree. They have a $10.84 price target on the stock, which implies 70% upside from today's share price.

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