Got $3,000 to Invest? Here Are 3 Cheap TSX Stocks to Buy in May

Description

If you've got an extra few thousand bucks lying around, you might be interested in jumping into the stock market. Ever since the COVID-19 market crash, stocks have been rising, and those who bought the bottom have made off like bandits.

There's no telling if this momentum will continue. In life, as in the markets, there are always uncertainties. But with the political momentum on COVID-19 shifting in the direction of "gradual re-opening," it's beginning to look like economic Armageddon isn't coming.

With that said, it's hard to know which stocks to buy. It's quite apparent that some industries–like airlines and hotels–are in for more pain. In its third quarter earnings report, **Air Canada** projected that it would take *three full years* to get back to 2019 revenue levels.

That seems like a recipe for continued stock market losses. And you can expect the same from casinos, hotels and cruise ship companies. So despite the recovery, a lot of stocks are risky propositions.

Nevertheless, there are some undervalued bargain stocks to be found. The follow are three that are looking good in May.

Dollarama

Dollarama Inc (TSX:DOL) is Canada's largest dollar store chain. It controls 18% of the discount retail market in Canada. Discount retail includes both dollar stores and big box stores like **Wal-Mart**. If we were to narrow it down to just dollar stores, DOL's market share would be higher, but exact data on that isn't available.

Discount retail tends to perform well in recessions. When consumers feel the pinch, they start spending more of their money on low-priced goods. With its cheap kitchen and grocery items, Dollarama is perfectly positioned to benefit from this phenomenon.

Almost every economist agrees that Canada is already in a recession, so it's reasonable to bet that DOL will benefit from current economic trends.

The company is also considered an essential service, due to its grocery items. So it can operate normally during COVID-19 lockdowns.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is another essential service stock that's operating just fine in the COVID-19 era. As a utility, its core services are too important to shut down. So it will be able to operate normally even if COVID-19 lockdowns continue long term.

The company's Q1 earnings bear that out. In the first quarter, Fortis earned $312 million–essentially unchanged from the same quarter a year before. The results missed analyst estimates, but that's not as bad as it sounds.

In the COVID-19 era, you've got bank earnings falling 70% and airlines swinging from profits to billion dollar losses. Fortis' flat growth is a success in such an environment.

Canadian National Railway

The Canadian National Railway (TSX:CNR)(NYSE:CNI) is one of Canada's most reliable long-term dividend stocks. Over the years it has produced phenomenal dividend growth: in the last half-decade, its payout has grown by 15.5% CAGR!

Amazingly, in 2020, that growth looks set to continue. Despite way fewer carloads, CN grew its earnings by 29% in the first quarter. That's outrageously strong growth in the midst of 2020's market turbulence.

Digging into CN's press release, it looks like the higher earnings were mainly due to a weaker loonie, and higher freight rates.

So while the company shipped fewer goods, it was able to earn more money on what it shipped. Just imagine what the company's earnings would have looked like *without* COVID-19 and rail blockades!

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:DOL (Dollarama Inc.)

5. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/25
Date Created
2020/05/20
Author
andrewbutton