2 Value Stocks to Buy Before July

Description

The **S&P/TSX Composite Index** shed only five points to close out the week on June 19. North American markets have been shaky to finish the spring. This should come as no surprise considering the mountain of troubling economic data. Jobless rates have skyrocketed in Canada and the United States, even as states and provinces are pursuing a reopening. Today, I want to hunt for value stocks on the TSX. Unfortunately, this is not an easy task, as valuations have spiked over the last few months.

Value stocks are rare on the TSX right now

Back in March, investors had the opportunity to pounce on some mouth-watering discounts. This dip did not last long, so those looking for value stocks had to make quick picks. Fortunately, there are still some solid options available in specific sectors.

Auto sales have plunged sharply due to the COVID-19 pandemic. In 2019 there was already a dip from 2018, as Canadians were wrestling with very high debt levels. The financial situation for individuals has worsened because of this downturn. However, a gradual reopening holds some hope for the auto sector. The two value stocks I want to look at today are the largest auto parts manufacturers in Canada.

Why I'm still targeting these auto stocks

As I'd mentioned in the article linked above, **AutoCanada** is a shaky hold this summer. But top auto parts manufacturers are fundamentally sound.

Magna International (TSX:MG)(NYSE:MGA) is the first value stock I want to look at. The company is the largest automobile parts manufacturer in North America by sales of original equipment parts. Its shares have dropped 13% in 2020 as of close on June 19. However, the stock has surged 53% over the past three months.

The company released its first-quarter 2020 results on May 7. Sales fell 18% year over year to $8.7 billion, as global light vehicle production declined 27%. Magna estimated that the COVID-19 pandemic impacted roughly $1.1 billion in sales and $250 million on income from operations. Even still, cash from operations increased 8% from the prior year to $639 million.

Shares of Magna last possessed a price-to-earnings (P/E) ratio of 14 and a price-to-book (P/B) value of 1.3. This is attractive value territory relative to industry peers. Moreover, Magna also boasts a fantastic balance sheet. The board of directors last declared a quarterly dividend of $0.40 per share, representing a 3.6% yield.

Linamar (TSX:LNR) is the second-largest automobile parts manufacturer in Canada. Shares of Linamar have dropped 21% in 2020 so far. The stock has increased 22% over the past three months. Linamar released its first-quarter 2020 results on May 13.

The company suffered a steep 41% drop in net earnings to $55.7 million. Overall sales fell 22% to $1.09 billion in Q1 2020. Moreover, its industrial segment product sales declined 36% to $212.1 million. Fortunately, the company reiterated that the COVID-19 pandemic would have the most significant impact on the first quarter. With luck, the reopening will mean that the worst is over for Linamar and its peers in 2020.

Shares of Linamar last possessed a favourable P/E ratio of 6.6 and a P/B value of 0.6. This is an attractive value stock to scoop up in late June.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

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Author
aocallaghan