



Insider Buying: 2 TSX High-Yield Stocks That Are Too Cheap to Ignore

Description

Whenever company insiders are eating their own cooking, investors should treat such buying insider buying activity as a clue that shares may be undervalued. While there are a plethora of reasons as to why an insider would sell their stocks, there's only one reason why they'd be a buyer on the public markets: they think it's headed higher, perhaps much higher over the short to medium term.

While insider buying is no guarantee of a stock's undervaluation, it may lead an investor in the direction of an opportunity in this highly uncertain market. For value investors who've already done the homework on a name, insider buying activity, like technical analysis, can be treated as additional confirmation that one should pull the trigger.

This piece will have a look at two battered, [high-yield TSX stocks](#) that have seen a considerable amount of insider buying action over the last few months.

Consider shares of **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), two heavily out-of-favour companies whose stocks now sport dividend yields of 5.7% and 5.9%, respectively. Over the last several months, both stocks have witnessed net insider buying, as shares of both companies took a spill on the coronavirus-induced market crash.

Both high-yield stocks look severely undervalued at this juncture, but which, if any, is the better fit for your portfolio at this market crossroads?

Nutrien: A high-yield stock with big insider buying

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is a fertilizer kingpin that was formed from the merger of Potash Corp. of Saskatchewan and Agrium a few years back. The two ailing agricultural firms joined forces with the hopes of better combating the headwinds that the industry has been facing for many years.

While Nutrien brings out the best in both firms (a potash production advantage from Potash Corp. and a robust retail business from Agrium), shares of Nutrien have continued to tread water as agricultural commodities can't seem to get any sort of break.

The coronavirus pandemic has caused Nutrien stock to slide to new depths. And while there's no telling when agricultural commodities will bounce back, I think the discounted valuation to be had with shares today is nothing short of compelling. Select insiders certainly seem to think so, with the net insider buying activity over the past year.

Nutrien stock trades a 0.83 price-to-book multiple, which is a lofty 17% discount to book. The company is also sufficiently liquid, with a dividend (5.7% yield), which, while under a bit of pressure, looks safe, allowing patient long-term investors to collect as they wait for industry pressures to wane.

Bank of Montreal: A near-6% yielder that'll rise again

The broader stock market has mostly recovered from the coronavirus crash, but select Canadian banks like **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) didn't participate to the same extent of most other stocks amid the unprecedented relief rally.

Bank of Montreal, alongside most other North American banks, watched the rally from the sidelines, and I'd imagine that many bank dip buyers are kicking themselves for not having bought anything else that would have [given more pop](#) over the past few months.

In the short term, bank buyers likely feel foolish (that's a lower-case *f*, folks!) now, but over time, when the banks have a chance to regain the confidence of investors, it'll be long-term investors who will stand to be big winners. The Canadian banks are unlikely to outperform over the next 18 days, but they'll probably outperform over the next 18 months.

So, if you want to get more yield (and capital appreciation potential) for less, BMO is nothing short of a must-buy for value-conscious investors, while the high-yield stock trades at a rare discount to book (0.92 price to book).

Insiders have been buying on the way down, and I think Canadian retail investors should follow suit today, because, after a brutal second quarter, the bar has now been set ridiculously low.

CATEGORY

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TICKERS GLOBAL

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2. NYSE:NTR (Nutrien)
3. TSX:BMO (Bank Of Montreal)
4. TSX:NTR (Nutrien)

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