Value Investors: These 2 TSX Stocks Are Absurdly Cheap Right Now

Description

The equity markets have staged a strong recovery after bottoming out in March 2020. The **S&P 500 Index** is trading 4.5% below its all-time high, while the **NASDAQ** has reclaimed record highs. This V-shaped recovery has surprised investors and analysts.

However, there are several stocks that are still trading considerably lower than their intrinsic price, making them attractive to value investors. Here we look at two **TSX** giants that are a must-buy at the current price.

Bank of Nova Scotia has a dividend yield of 6.4%

Shares of Canada's financial services giant, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) are trading at $55.98, which is 27% below its 52-week high. This pullback has increased its dividend yield to a tasty 6.4%. The stock has a forward price to earnings multiple of 9.3 and a price to book ratio of 1.06.

BNS is Canada's third-largest bank with a market of $68 billion. It has increased dividends in 43 of the last 45 years, making it one of the top dividend growth stocks on the TSX. However, given the macro-economic uncertainty and the spike in Canada's unemployment rates, investors are worried about the mortgage and corporate defaults, driving BNS stock lower.

BNS stock's average dividend yield in the last five years stood at 4.45%, so it's clear that investors can take advantage of the recent weakness and secure an outsized yield. Further, the company's low payout ratio of 58.7% makes a dividend cut unlikely.

Given the stock's dividend growth history, BNS should be on the radar of most investors. In 2015, BNS paid quarterly dividends of $0.68 per share and its current payout has risen to $0.90, an annual growth rate of 5.8%.

If you invest $10,000 in BNS stock right now, you can generate $643 in annual dividend payments. If we keep its dividend growth rate of 5.8% as a constant, these payments will reach close to $1,900 annually over the course of 20 years.

BNS stock remains a top stock given its low valuation, attractive dividend yield, and huge market presence.

An integrated energy player

Suncor Energy (TSX:SU)(NYSE:SU) is another stock that's trading at an attractive valuation. Suncor stock has fallen close to 50% from its 52-week high due to weakness in the energy sector.

However, investors should note that Warren Buffett has a stake in Canada's energy giant. **Berkshire Hathaway** holds 14.9 million Suncor shares worth $256 million indicating a 1% stake in the firm.

Despite its massive pullback, Suncor remains a quality company that can take advantage of rising oil prices by drilling more or by leveraging its downstream operations when prices move lower.

Suncor slashed its dividends by 55% and reduced capital expenditure by 33% to boost short-term liquidity. However, these factors are already priced in, and investors can expect the stock to gain momentum if oil prices recover.

Suncor stock is trading at a price to sales ratio of 1 and a price to book ratio of 0.96. This Canadian heavyweight has enough liquidity to survive the current downturn and its downstream operations should compensate the underperformance in the upstream business.

Suncor also owns and operates 1,500 retail and wholesale fuel outlets in North America, making it a diversified energy stock with a dividend yield of 3.7%.

CATEGORY

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Date
2025/07/29
Date Created
2020/07/24
Author
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