Market Rally: 3 Cheap Stocks to Buy Now

Description

The market rally is still gaining steam. Stock indexes around the world are approaching all-time highs. Many investors are kicking themselves for selling during the COVID-19 bear market.

Cheap stocks are getting harder to find, but they're out there. To snag a bargain, you need to open up your investment universe and think a bit outside the box.

Buy cheap property

Real estate is a proven investment in good times and bad times. As the saying goes, it's the only thing they're not making more of. This is particularly true for unique destinations with strong historical and cultural backgrounds, with high population density in surrounding areas. This is where **Brookfield Property Partners** (TSX:BPY.UN)(NYSE:BPY) specializes.

You've likely heard of Brookfield's properties. Maybe you've even visited one of its locations. They include First Canadian Place in Toronto, Brookfield Place in New York City, Canary Wharf in London, and Potsdamer Platz in Berlin. These are irreplaceable assets that will have value for decades or even centuries to come.

The COVID-19 crisis just created a buying opportunity. The market is valuing shares at a 60% *discount* to their book value. This bet will take a few years to pay off, but don't be surprised when Brookfield Property doubles or triples in the decade ahead.

Think outside the box

Few investors would call **Shopify** (TSX:SHOP)(NYSE:SHOP) a cheap stock. Share trade at 40 times sales. That's one of the steepest valuations you'll come across.

But here's the thing: cheap doesn't mean it has a low valuation multiple. Cheap means that the market is underpricing the stock compared to its future potential. With that definition in mind, it's easy to see how Shopify shares have consistently been a bargain.

Last year, shares tripled. The year before, the stock rose 20%. The year before that, they more than doubled. This is a clear sign that the market isn't assigning the company a proper valuation.

The magic comes in the company's platform operating model. These are winner-takes-all strategies. Shopify has nailed the e-commerce platform market, meaning the sky is the limit for growth. The market cap is now $150 billion, but the total addressable market is well into the trillions.

This stock looks pricey, but compared to its long-term potential, the price tag is a bargain.

Beat the market rally

When the stock market goes up, some companies get left behind even though they have incredible business models. **Enbridge** (TSX:ENB)(NYSE:ENB) is a prime example.

Enbridge operates the largest pipeline network in North America. This is essentially a monopoly business. Oil and gas producers need to get their output to market, but pipeline capacity is severely constrained, giving Enbridge hefty pricing power.

For example, Enbridge was recently pushing customers to sign decade-long contracts. These deals are pegged to volumes, not commodity prices. So, when oil prices gyrate, the company is completely insulated from the volatility.

Due to depressed oil demand from COVID-19, Enbridge stock trades at a multi-year low. The dividend yield is approaching 8%. The market is expensive, but Enbridge shares are a bargain.

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