



3 Top TSX Stocks for October

Description

October is upon us. Stock markets are jittery, but still close to all-time highs. Fear over another COVID-19 surge continues to put a lid on confidence, and many wonder if another downturn is around the corner.

“Never before have I seen a market so highly valued in the face of overwhelming uncertainty,” [writes](#) James Montier, a member of GMO. “It is how one deals with the uncertainty that distinguishes the long-term value-based investor from the rest.”

Right now, stock selection is more important than ever. Many companies trade at absurd valuations, while others still have a bright future and are priced fairly.

“Rather than acting as if the uncertainty doesn’t exist (the current fad), the value investor embraces it and demands a margin of safety to reflect the unknown,” Montier concludes. With the three stocks below, you can re-establish control over your investing future.

Stick with monopolies

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) has been a winning stock for decades, as it operates a quasi-monopoly.

When oil and natural gas are produced, there often aren’t any nearby roads, rails, or ports. Pipelines are the highways of fossil fuels, and Enbridge is the biggest pipeline owner in North America. It ships 20% of the continent’s crude oil and natural gas.

Having such a dominant market position gives the company impressive pricing power. This is what you’d expect from a monopoly. The company makes customers sign long-term contracts at fixed prices. No matter where oil prices head, Enbridge generates the same profit.

Right now, shares are cheap due to depressed energy demand from COVID-19. With a dividend yield of 8%, this is a reliable stock that should generate positive returns even with an uncertain world.

This is a cheap stock

Brookfield Property Partners ([TSX:BPY.UN](#)) (NASDAQ:BPY) owns some of the best real estate in the world, including First Canadian Place in Toronto. Unfortunately, 40% of its portfolio consists of office space, a bad place to be when millions are working from home. Another 40% includes retail space, another difficult segment given ongoing pandemic fears.

These headwinds cause the stock to be priced at just 40% of its underlying book value. Long term, many of its properties will regain their former worth, but even if we assume that the entire portfolio will lose half of its value, the stock is *still* underpriced by 20%!

You'll need to stay patient with this pick, but the current bargain valuation may not last long.

Bet on growth

Constellation Software ([TSX:CSU](#)) is a classic growth stock. Since 2006, shares have risen *60 times* in value. That growth hasn't slowed down either, with shares up 20% on the year.

The secret is software. These products have high margins and fantastic customer retention rates, as long as you sell software products that work. That's why Constellation focuses on the secondary market, buying proven competitors at a discount, stripping out excess costs, and plugging the acquisitions into its broader portfolio.

While this strategy isn't rocket science, it's been a proven money-maker. In an [uncertain world](#), it makes sense to stick with a consistent winner.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:ENB (Enbridge Inc.)

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