



## Scotiabank Just Updated Its Top 30 Canadian Stock Picks — Here Are My Favourite 3!

### Description

**Bank of Nova Scotia** — or Scotiabank — recently updated its top 30 Canadian stock picks to buy amid this pandemic-plagued environment. There were some ample value names that stayed on the list, as Scotiabank strategist Jean-Michel Gauthier is of the belief that value stocks could be major winners in a Joe Biden presidency.

### Betting on a Joe Biden-driven return to value

At the time of writing, we're in [Day Two](#) of ballot counting. Biden and the Democrats hold a commanding lead over President Trump, as America awaits results from various states, including the likes of Arizona and Nevada, where the race is still too close to call. Should Biden be announced as President of the United States, either tonight or tomorrow, we could realistically see the big growth-to-value rotation that many pundits have been calling for of late.

I think Gauthier is right on the money in that value could be the place to be going into year's end. While there are some growth stocks on Scotiabank's top 30 list, a vast majority are deep value plays that could face immense upside in a Biden-driven return to value.

The three picks that I thought stood out most were **Sleep Country Canada** ([TSX:ZZZ](#)), **Metro** ([TSX:MRU](#)), and **Northland Power** ([TSX:NPI](#)).

### Sleep Country

It's time to stop hitting the [snooze button](#) on shares of Sleep Country.

In a prior piece, I touted Sleep Country as one of my top value plays and noted the likelihood that a severe economic downturn had already been baked into the stock. Since collapsing in February and March, ZZZ stock has been unstoppable, with shares nearly tripling from their March trough to the October peak.

Sleep Country stock has since pulled back modestly amid the latest bout of October volatility — a perfect opportunity to load up on the mattress giant that's still a country mile away (~45%) from its 2017 all-time highs.

Despite the recent run, however, shares remain dirt-cheap at 2.7 times book value and 1.2 times sales. Sleep Country is a consumer discretionary poised to continue melting up and leading value's upward charge as the economy slowly heals from this unprecedented crisis.

## Metro

Metro is a grocery top dog I've been pounding the table on in recent months. The company has a margin edge over almost all of its grocery peers that can't seem to get an operational advantage with the razor-thin margins to be had in the grocery space. Metro's margin edge is a testament to its incredible management that's worth paying up for.

At the time of writing, Metro is within a percentage point of hitting its all-time high reached back in late September. Shares are currently up 20% year-to-date (YTD) and look poised to continue roaring higher, even in the face of a second wave of coronavirus cases.

Metro may not appear cheap at 20.9 times trailing earnings and 13.3 times cash flow. Given the calibre of business you're getting and the tough environment that lies ahead, however, it becomes more apparent that Metro stock is well worth every penny of its premium price tag versus some of its less-than-stellar peers. It's the best of the pack and that's likely a major reason why Scotiabank remains relatively bullish on the name.

## Northland

Finally, we have the green energy stock that bounced like a coiled spring in 2020, after years of consolidation. I urged investors to load up on what I thought was one of the cheapest renewable energy plays on the **TSX** a few years back. With shares now up over 60% year to date, Northland is no longer the same bargain it used to be. But it's still relatively cheap versus many of its peers in the space.

The secular tailwinds faced by the renewable stocks are profound and investors have already begun to recognize this. With Northland Power shares trading at 6.7 times book value and 8.4 times cash flow, the name is still attractive compared to the low-risk growth that's to be expected.

However, with a mere 2.8% yield, many investors may be more inclined to go with one of Northland's peers which sport yields well above the 5% mark. If you seek value and not income, though, I'd say Northland is among the best renewables for your buck.

## CATEGORY

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## **TICKERS GLOBAL**

1. TSX:MRU (Metro Inc.)
2. TSX:NPI (Northland Power Inc.)
3. TSX:ZZZ (Sleep Country Canada)

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