The Smartest People on Bay Street Are Buying These TSX Stocks

Description

The **S&P/TSX Composite Index** was quiet on February 15 as Canadians celebrated Family Day. Meanwhile, indexes in the United States enjoyed another day in the black. When this year started, I'd discussed three **TSX** stocks that looked undervalued. Today, I want to look at what stocks the smartest people on Bay Street are buying in the middle of February. Let's dive in.

Why Bay Street analysts are looking to this controversial TSX stock

SNC-Lavalin (TSX:SNC) endured a period of intense controversy that spilled over into the political realm in 2019. Moreover, that year ended with the relevant division pleading guilty for fraud over its Libya activities. The company operates as an integrated professional services and project management firm. Shares of this TSX stock have climbed 23% in 2021 as of early afternoon trading on February 15.

Scotiabank Capital analyst Mark Neville was encouraged after SNC's surprise sale of its oil and gas unit. It also decided to take on more financial charges on contracts. Neville considers this "a potential watershed moment" for SNC-Lavalin. "First, the sale of the O&G business removes the risks associated with completing the remaining work and ongoing restructuring," Neville said in his analysis. "Secondly, the incremental provisions and reduction in commercial claims receivables were taken to effectively 'ringfence' the risks associated with completing the remaining LSTK backlog."

Shares of SNC-Lavalin last had a favourable price-to-book value of 1.3. The company is on the comeback trail and well worth a look today.

A tech stock that has climbed over the past year

TMX Group (TSX:X) operates exchanges, markets, and clearinghouses primarily for capital markets in Canada and around the world. This TSX stock has climbed 11% year over year. Back in 2019, I'd suggested that investors scoop up TMX Group.

Phil Hardie, another Scotia Capital analyst, spoke favourably of TMX Group stock. “TMX delivered double-digit earnings growth and was likely a net beneficiary of market volatility,” Hardie said. “This aligned well with our thesis on TMX and is likely to support the stock’s re-rate, resulting in a narrowing of the valuation discount relative to its peer group.”

Hardie projected that this TSX stock would continue to outperform its sector. Shares of TMX Group last had a price-to-earnings ratio of 26, putting it in solid value territory relative to industry peers.

One more TSX stock that Bay Street analysts like today

CT REIT (TSX:CRT.UN) is an unincorporated closed-end real estate investment trust formed to own income-producing commercial properties in Canada. This TSX stock has dropped 1.8% year-over-year at the time of this writing. A group of equity analysts on Bay Street raised price targets for CT REIT after it released its fourth quarter and full year 2020 results.

The REIT delivered 3.2% growth in adjusted funds from operations per unit in the fourth quarter. Meanwhile, 99.4% of its rental obligations were fulfilled in January. This is great news for those who were worried about rental payments in the face of this crisis. Better yet, CT REIT offers a monthly distribution of $0.06693 per share. That represents a strong 5.2% yield.

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