



2 Top Undervalued TSX Stocks to Pounce On by May 2021

Description

Only time will tell if the “sell in May and go away” plan will work in 2021, but regardless, I think it's a great time to be a buyer of undervalued TSX stocks ahead of a potentially massive [economic recovery](#).

Sure, the Warren Buffett Indicator is flashing a warning sign to investors that this market is severely overvalued and ready to take a steep plunge. But I think the indicator may be out of whack these days, given GDP numbers are likely to [fluctuate wildly](#). In 2020, global GDP took a hit to the chin. As COVID-19 vaccines pull ahead of the variants of concern, we'll inch ever so closer to the end of this pandemic, and GDP could really stand to blast off.

Forget the Warren Buffett Indicator for May 2021: Many TSX stocks are melting up

China recently clocked in north of 18% in GDP growth for its first quarter. With the U.S. propped up with an unprecedented magnitude of stimulus, U.S. GDP could be in for an impressive year-over-year pop of its own. Whether or not it'll impress investors, though, remains to be seen. In any case, I think investors need to swing at the great pitches thrown their way by Mr. Market because the opportunity costs of holding cash and bonds have arguably never been higher.

When you spot a bargain and have enough cash to scoop it up, do so. And don't let any talking head on TV convince you otherwise. We're at a critical market crossroads, and I don't think timing it will be a winning strategy through 2021.

Without further ado, here are two undervalued TSX stocks I'd look to pick up before May, as you look to buy in May and go away, in that you won't be inclined to sell for years, if not decades at a time.

Restaurant Brands International

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) is the legendary fast-food firm behind

Popeyes Louisiana Kitchen, Tim Hortons, and Burger King. Sales have been suppressed across the board as a result of the COVID-19 crisis. As dining rooms reopen (hopefully, for good this time!) and Restaurant Brands's "drive-thru modernization" efforts complete, the undervalued TSX stock could be in a spot to make up for lost time.

I find too many judge the company for its limited success with Tim Hortons. Yes, comps are sluggish at the iconic Canadian chain, but let's not forget about Burger King and the profound industry-shaking success that is Popeyes. Tim Hortons is more influential than Popeyes at moving the needle in QSR stock, but I think it's unwise to discount management's abilities to get each one of its three top brands firing on all cylinders and at the same time.

I think QSR stock could explode in a post-pandemic environment and would encourage investors to accumulate shares while the yield is still above the 3% mark.

TD Bank

TD Bank ([TSX:TD](#))([NYSE:TD](#)) stock is really making up for lost time these days, with shares now 45% over the past year and 56% off the ominous March 2020 bottom. Last year, thoughts of a rising-rate environment seemed absurd. The economy was in shambles, and some feared that we could be headed for negative rates.

Even when there was nothing to look forward to, I'd urged investors to buy TD stock while it was out of favour and its yield was swollen. I shot down any speculation that the Canadian banks would slash their dividends and encouraged investors to think longer term, noting that a rising-rate environment was probably closer than most of us thought.

Indeed, hindsight is 2020. But if you waited for the tides to turn, you missed out on most of the gains. Fortunately, TD stock looks poised to continue climbing to even higher highs on the back of this new bull market. The 3.8% yield isn't as bountiful, but the undervalued TSX stock still seems too cheap, given the high-quality calibre of management you'll be getting. TD steered clear of the Archegos fiasco, and it'll likely always be among the first to bounce back from crises and crashes.

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TICKERS GLOBAL

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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