



B of A Backs Canadian Stocks Over Pricey S&P 500: 3 Undervalued TSX Stocks to Buy Today

Description

The **S&P/TSX Composite Index** has risen almost 16% this year, outperforming the **S&P 500**. Interestingly, according to Bank of America, [TSX stocks](#) are well placed to outperform U.S. stocks due to their attractive valuations and the impending economic recovery, *BNN Bloomberg* reported.

The Canadian Index is trading at a significant discount against its U.S. counterpart, which could drive its outperformance. Also, Canada's high exposure to cyclicals and commodities will play well amid the economic reopenings.

Notably, since the epic crash last year, TSX stocks are up almost 50%, while the S&P 500 has soared about 65%.

Here are three relatively [undervalued TSX stocks](#) that are poised to outperform in the long term.

Tourmaline Oil

Canadian midsize energy companies have absolutely thrashed their bigger counterparts this year. **Tourmaline Oil** ([TSX:TOU](#)) is one of them. The stock is up more than 95% so far this year and still seems to have steam left.

Tourmaline Oil, Canada's largest natural gas producer, reported \$879 million in net income in the last six months. That's more than 35 times against the same period last year. Its record production and higher energy commodity prices played out very well for its financials, which were reflected in its stock price.

Tourmaline stock is currently trading at its five-year-high levels and is trading eight times its 2021 earnings. Its discounted valuation indicates more upside potential given a positive outlook for the energy sector.

MTY Food Group

MTY Food Group ([TSX:MTY](#)) stock has been trading weak this month, which could be an opportunity for discerned investors. The franchisor in the quick-service restaurant industry, MTY witnessed a big slump last year amid the pandemic.

MTY operates at nearly 7,000 locations, of which, 54% are in the U.S., while the rest are in Canada and spread worldwide. The mutating virus and continued closures have impacted MTY's operations in the last few quarters.

However, as mobility restrictions ease, and people are once again allowed to spend, MTY Food could see higher demand that could lead to revenue recovery. MTY stock is currently trading 16 times its 2021 earnings, which looks reasonably valued.

Notably, the stock will likely resume its upward climb amid re-opening hopes and discounted valuation.

Algonquin Power & Utilities

One of the top utility stocks **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) could be a safe pick at these levels as markets linger around all-time highs. Algonquin has a significant exposure to regulated operations, which provides earnings stability and visibility.

Apart from regulated operations, Algonquin has large renewable assets as well that offer relatively higher earnings growth. That's why AQN exhibited industry-leading income growth in the last decade. As a result, AQN has delivered more than 510% total return in the last decade, outperforming peers by a wide margin.

AQN stock currently yields 4.4%, higher than TSX stocks at large. Its stable earnings growth will likely drive consistent dividend growth in the future as well.

Stocks like AQN provide stable passive income during volatile times and generally stay strong because of their lower correlation with broader markets.

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:MTY (MTY Food Group)

4. TSX:TOU (Tourmaline Oil Corp.)

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