



U.S. Stocks Are Pricey: 2 Cheap Canadian Stocks to Check Out Instead

Description

U.S. stocks roared higher again on Tuesday, putting the bears in a pretty bad spot. If you've tuned into the mainstream financial media, you've probably heard that U.S. stocks are [frothy](#) and long overdue for a painful 10-15% correction. Some of the bigger bears out there may be ringing alarm bells, calling for a crash in excess of 20-30%. Take such market-timing calls with a very fine grain of salt and a double dose of skepticism. We've been hearing corrections, crashes, recessions and even depressions numerous times amid the market's epic rally.

Undoubtedly, [valuations](#) are a tad stretched, especially south of the border. But here in Canada, I believe there's ample value all over the place. And you don't need to dig into the depths of the TSX Venture Exchange either to find discounted merchandise that's well worth picking up right now, even as the bears come out of hibernation with their correction calls.

Forget a correction: Buy cheap stocks in this expensive market!

As someone wise once said, a broken clock is right two times a day. Inevitably, the next correction will strike, and someone will look like a genius for calling it with precision. Heck, the call may even be made into an NFT (Non-Fungible Token)! Until then, investors would be wise to stay the course and pay less attention to the U.S. Federal Reserve than most others are right now.

Instead, take a page out of [Warren Buffett's playbook](#) and focus a majority of your efforts on discovering stocks that trade at considerable discounts to their intrinsic value range. Remember, stocks are pieces of businesses that help you grow your wealth over the long haul — not just pieces of paper to be traded frequently.

In this piece, we'll have a glance at two cheap Canadian stocks that are dirt cheap in an expensive market. Consider **IA Financial** ([TSX:IAG](#)) and **Cascades** ([TSX:CAS](#)) — two glimmers of severe undervaluation in an arguably frothy market.

IA Financial

IA Financial isn't the growthiest insurer or wealth manager in Canada, nor does it have the most bountiful dividend yield. Still, I think it's one of the best managed with one of the cheapest valuations on the entire TSX.

I've praised IA's managers for their prudence over the years and for being one of the first insurers to climb back from the Great Financial Crisis (GFC). Today, shares are 10% away from hitting pre-pandemic all-time highs. As the recovery runs out of steam, I'd look to accumulate shares, because nothing has changed about the improving macro backdrop since shares slipped 7% last month.

The stock sports a 2.9% dividend yield and a ridiculously low 9.8 price-to-earnings (P/E) multiple, making it one of the cheapest TSX dividend stocks out there for those wary of broader market valuations.

Cascades

Cascades is a toilet paper and tissue product manufacturer that incorporates recycled fibres. The company not only provides a necessity, but it does so in an environmentally friendly manner, making it an [ESG-friendly play](#).

Undoubtedly, paper products are susceptible to the recent rise in input costs. Unfavourable fluctuations were a major reason why Cascades stock crumbled like a paper bag (no pun intended!) in a 27% peak-to-trough drop.

With a juicy 2.2% dividend yield and a mere 7.35 P/E multiple, Cascades stock is ridiculously cheap and is a top pick before input costs and production costs start moving in the company's favour. Yes, the company is boring. But it reeks of value here, and once the tides turn in its favour, the stock could be headed to new heights.

Bottom line

One of the joys of being a stock picker is that you can reach to value, even as the broader markets show signs of froth. In many instances, such froth is caused by just a handful of names. In the TSX's case, energy and financials have led the upward charge, leaving many other value plays behind. IA and Cascades are my top picks.

CATEGORY

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TICKERS GLOBAL

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2. TSX:IAG (iA Financial Corporation Inc.)

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