



3 Deeply Undervalued Stocks to Buy in July

Description

There are a few [undervalued stocks](#) on the TSX. **Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)), **National Bank of Canada** ([TSX:NA](#)), and **Power Corporation** ([TSX:POW](#)) are three quality stocks that you can buy now at a bargain. They have five-year price-to-earnings-to-growth (PEG) ratios of less than one, meaning they are cheap relative to their future expected growth. Let's have a look at each of these undervalued stocks.

Teck Resources

Teck Resources produces iron and steel coal, copper, and zinc. It is also a co-owner of the Fort Hills oil sands facility.

The company reported strong results in the first quarter of 2021. Adjusted earnings per share were \$0.61 in the quarter compared to \$0.17 in the same period last year.

The average realized price of copper was US\$3.92 per pound. Teck Resources expects its net cash unit cost for copper to be US\$1.30 to US\$1.40 per pound this year. At the current price of copper, Teck Resources generates significant margins.

Sales of iron and steel coal benefited from higher prices due to large orders from China. The country is in a trade dispute with Australia and has banned the import of Australian steel coal. It may take some time for the issues to be resolved. As a result, Teck Resources could benefit from it until the end of 2021 and until next year.

Even if Australia and China resolve their differences, the metallurgical coal market is expected to remain robust over the next few years. Steel prices are skyrocketing as demand exceeds supply.

Copper producers have put aside new projects in recent years due to low prices. The result could be a shortage of copper before supply accelerates to meet growing demand.

Investors expect to see Teck Resources deliver strong second-quarter results, and the positive trend is expected to continue through the end of the year and into 2022. Teck Resources is one of the most undervalued stocks trading on the TSX, with a five-year PEG of only 0.22.

National Bank of Canada

Like its larger counterparts in the industry, Canada's sixth-largest bank reported exceptional profits in the [second quarter of fiscal 2021](#). Net income increased 111% to \$809 million from the second quarter of fiscal 2020. Its capital markets business saw its net income increase 50% year over year to \$238 million. In addition to significant increases in total revenues in most lines of business, there was a substantial reduction in the provision for credit losses (PCL). However, sales were down 5.2% year over year due to weaker business activity.

The president and CEO of National Bank Louis Vachon cited the right strategic choices and a diversified and agile franchise for the strong performance. He added that the bank continues to operate in an improving economic environment, which is conducive to business growth.

National Bank stock has a dividend yield of 3.1%. Since the company pays dividends of \$0.71 per share each quarter, its payout ratio is below 40%, giving it enough room to increase those payouts over time. The stock is cheap with a five-year PEG of 0.75.

Power Corporation

Power Corporation operates a portfolio of insurance, asset management, and financial technology businesses.

Through its network of subsidiaries, Power Corporation has controlling interests in insurance giant **Great-West Lifeco**, financial advisory service Mackenzie Investments, and asset manager IG Wealth Management. The company also has a very small indirect stake in companies such as LafargeHolcim, Pernod Ricard, and Adidas.

However, its portfolio of FinTech or FinTech startups is the most intriguing. Power has a major stake in the online brokerage WealthSimple, which is the Canadian version of Robinhood. The growth of retail investing over the past year has dramatically increased the value of this stake.

The company also has a significant stake in the digital banking service Koho, which is rapidly gaining market share in Canada.

In total, this diversified portfolio generates substantial cash flow, which translates into a dividend yield of 4.6%. The stock is also trading at a five-year PEG of 0.6, which is low.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:NA (National Bank of Canada)
3. TSX:POW (Power Corporation of Canada)
4. TSX:TECK.B (Teck Resources Limited)

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