3 Canadian Stocks to Buy Before a Market Bottom

Description

The **TSX** fell drastically on Monday, as the world and the markets reacted to the further expansion of the COVID-19 Delta variant. While many hoped the pandemic was behind us, it certainly isn't the case. This means many companies will continue to struggle until this is well and truly over. But there are still Canadian stocks to buy, even during this downturn.

In fact, it seems as though we're nearing a market bottom. There are many stocks after Monday's reaction that have experienced negative breakouts. This happens when stocks experience a negative price momentum and can enter oversold territory. Given that there are so many nearing this mark, or already hit it, this can signal that a market bottom is coming.

But as we've said before here at the Motley Fool, this can be a time to start buying up the strong stocks you know will last for decades. In fact, there are a few stocks experiencing negative breakouts that provide a strong jumping-in opportunity for Motley Fool investors. So, let's look at three to consider today.

TD Bank

The COVID-19 pandemic led to a market bottom in March 2020 that included all of the Big Six Banks. However, as with other market crashes, the banks were able to come relatively unscathed. That included **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), which began trading at pre-pandemic prices within a year's time.

But since climbing to all-time highs, and with the economy not rebounding completely, some investors seem to believe the worst isn't over. This has led to a selloff of TD stock that's, frankly, unwarranted. TD stock is still up 38% in the last year but has fallen 7% since the end of May, falling about 4% in the last few days alone.

Yet even before the fall, TD stock was a deal. But it's one of the Canadian stocks to buy trading at a price-to-earnings (P/E) ratio of 10.5! And it's in oversold territory, with a relative strength index (RSI) at 27. Given that shares have climbed 201% in the last decade for a compound annual growth rate

(CAGR) of 11.67%, and you can now lock in a 3.86% dividend yield, now is the perfect time to consider this long-term buy.

Enthusiast Gaming

The gaming industry is one that blasted off during the pandemic, yet **Enthusiast Gaming Holdings** (TSX:EGLX)(NASDAQ:EGLX) is hovering just above oversold territory at 34 RSI as of writing. Shares in the last year climbed by over 300% before coming down. Since April 2021 highs, those shares have fallen by a whopping 46%, and 18% in the last 10 days.

However, while there may have been a market correction in one direction, it's far too much now. This is leading towards a correction in the opposite direction soon. Analysts believe the stock will double in the next year at a *minimum* and could increase by 140%! That makes it one of the Canadian stocks to buy for future investment.

As gaming use continues to increase, especially with 18- to 35-year-olds, Enthusiast management believes the company will continue to grow its subscription base. That base currently sits at a whopping 300 million. The company has gaming reviews, streaming events, videos, with two billion page views each and every quarter, where it earns revenue from media content. As it continues to grow through acquisitions, you can expect even more revenue growth. Last quarter, it reported revenue of $30 million — an insane 322% increase from the year before. Analysts expect the stock to continue to grow revenue, expecting a double revenue rise of $158 million for 2021.

Magna International

Magna International (TSX:MG)(NYSE:MGA) saw an insane increase with the electric vehicle boom at the beginning of the year. But that boom soon busted, with shares dropping again. Despite the strong valuations in the future of Magna stock, Motley Fool investors and others haven't been quite convinced it's one of the Canadian stocks to buy.

But analysts don't agree. Shares of Magna could increase by an average of 25% in the next year alone. That's especially after shares dropped by 16% in the last month. The stock is now *just* above oversold territory, with an RSI of 30.94 as of writing.

With the company's investment into vehicle electronics, this is a safe and valuable stock to buy for those looking towards the future. Shares are still up 68% in the last year, and 445% in the last decade for a CAGR of 18.45%!

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2. NYSE:TD (The Toronto-Dominion Bank)
3. OTC:EGLX.F (Enthusiast Gaming)
4. TSX:EGLX (Enthusiast Gaming Holdings Inc.)
5. TSX:MG (Magna International Inc.)
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