2 Top Value Stocks to Buy Today

Description

Value stocks briefly had their moment in the spotlight in the first half of 2021, when high-growth tech stocks took a spill in what was a pretty vicious growth-to-value rotation. While U.S. 10-year rates have settled down, falling to the 1.2% range, giving lift to growth stocks, I wouldn't rule out a repeat of the growth-concentrated selling in the first half of 2021, as we inch closer to the end of the pandemic and the prospect of rising interest rates.

Today, variants of concern have the Fed playing it dovish. But if you're bullish on the reopening and continued recovery from COVID-19, I'd argue that it's a good idea to start picking up some neglected value stocks, many of which could be in a spot to make up for lost time over the next year.

In this piece, we'll have a look at two value names that I think could give the TSX Index a run for its money, as corrections look to roll through some of the more expensive parts of the broader market.

CAE

CAE (TSX:CAE)(NYSE:CAE) is a flight simulator manufacturer that saw its rally stall out in the first half of the year. While Delta and other variants of concern could drastically slowdown the recovery in the air travel industry, I still think CAE will be tough to stop, as it plays its part in getting pilots up to speed on the next generation of fuel-efficient aircraft.

It's not just gaining familiarity with new aircraft that has me bullish on CAE shares; it's the need for what could be a massive round of pilot re-training ahead of the air travel industry's full recovery.

"Many pilots will need to be re-trained before they take to the driver's seat. " I wrote in a prior piece, pounding the table on the stock. "Such [pilot] re-training en masse is [somewhat] less dependent on a timely elimination of the insidious coronavirus."

With a rock-solid balance sheet and a fast-growing defence business, CAE is more prudent than some of the all-or-nothing airline bets out there. As such, I'd look to initiate a position, as the stock stalls out going into August, as I think the odds of a year-end breakout are high, as the world controls the spread of COVID-19.

Sure, you'd probably do better with an airline stock, but in terms of overall risk/reward, I think CAE stock offers a far better value proposition.

Alimentation Couche-Tard

Convenience store giant **Couche-Tard** (TSX:ATD.B) is finally breaking out at just shy of $50. It's been a long time coming, and I think the breakout could send shares to much higher levels in the second half. The company has a lot going for it. As COVID-19 cases continue to drop, more cars will hit the roads, and fuel sales are likely to continue trending higher. With that, higher-margin merchandise could also receive a nice boost.

It's not just a fading of COVID-19 headwinds that could fuel Couche-Tard stock's next rally. I think the odds are high that Couche-Tard will pull the trigger on an acquisition in the convenience store space. Sure, value is hard to come by these days, even in the convenience retail space, but an acquisition is a long time coming. With a world of M&A opportunities, one has to think that management will be ready to do some buying with its growing hoard of cash.

If a big deal is struck, I suspect shares will pop, as the firm looks to take earnings growth into high gear.

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