The 2 Best Canadian Stocks to Buy While They're Still Cheap

Description

The stock market may be expensive, frothy, overdue for a correction, or whatever else the talking heads on TV are projecting over the near to medium term for Canadian stocks. Undoubtedly, such projections are a shot in the dark. And although this market may continue to defy the bears, it's only prudent to proceed with caution after an incredibly strong start to the year.

Yes, the market is riding hot — perhaps too hot to consider backing up the truck. That said, there are many opportunities behind the scenes that stock pickers can take full advantage of. Some names are dirt cheap and have already sold off, even as the broader **TSX Index** continued higher. By hand-picking bargains, like the juiciest berries on a plant, you can do better than the average basket that passive investors must settle for with the broader market indices.

Finding value in the already corrected, high-quality names

Going into August, there's no shortage of value on the TSX. You don't even need to look too far or run the risk of buying a potential value trap in the form of a distressed firm that's up against the odds. Consider **Canadian Tire** (TSX:CTC.A) and **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), two of the best Canadian stocks that have already endured pretty painful selloffs, all while the TSX continued its smooth ascent. It's names like these that have already pulled back that could be key to outperforming in a big way in the second half of 2021 and going into 2022.

Canadian stock #1: Canadian Tire

Brick-and-mortar retailer Canadian Tire has silenced the doubters after delivering magnificent results in the latter half of 2020. Indeed, retail, specifically brick-and-mortar retail, was due to take a massive hit to the chin. While the iconic Canadian company took the odd jab straight to the chin in the first half of 2020, the company was still standing, and it's now on some very stable footing.

The balance sheet is in great condition, and the company is finally flexing muscles with its digital platform, which really took off amid the worst of the COVID-19 lockdowns. Those who underestimated the company's ability to adapt and thrive through the worst of circumstances are now kicking themselves. Undoubtedly, Canadian Tire has shown that it's deserving of a more premium multiple, and it's been rewarded one after nearly surging 28% year to date.

Canadian Tire has since taken a breather for the summer, with shares falling into correction. Today, the agile retailer trades at 12.8 times earnings with a juicy 2.5% yield. I think things are still looking up for the discretionary retailer and would look to load up on this latest pullback before the next leg higher.

Canadian stock #2: Algonquin Power

Algonquin is another high-quality dividend stock that's taken a hit of late. The green energy power play saw shares flirt with a bear market just a few weeks ago over mild growth concerns that I thought were overblown. Since July, Algonquin has been starting to pick up traction again. I think the stock has bottomed and would urge investors to consider locking in the 4.3% dividend yield, as the name looks to test its $22 highs going into year's end.

Yes, the company has had some baggage to deal with. But if you're looking for a steady ship in what could be a turbulent second half of the year, it's tough to do beat Algonquin at these levels.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)

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