My Best TSX Stock Idea for September 2021

Description

The **TSX Index** and loonie have really sagged over this past week. Undoubtedly, the case for swapping Canadian dollars for American greenbacks to invest in those more expensive U.S. securities makes less sense now. With inflation rising to the higher end of the 3% range and a Bank of Canada (BoC) that's not as hawkish as it should be, it seems as though the weakness in the loonie could persist well into year's end. And let's not forget about oil prices, which sagged from the mid-$70s to low the low $60s in just a matter of weeks. It's a tough situation for Canadian investors.

Recently, the folks over at **Bank of America** stated that the loonie could continue to remain well below US$0.80 over the coming months. Indeed, Bank of America also commented on greater relative value in common equities in Canada several weeks ago. Greater value on this side of the border without having to get dinged to exchanged currencies? Sounds like a good idea to invest Canadian — at least until oil and a far-too-dovish Bank of Canada can propel the loonie higher again.

TSX stocks could be the place to be for September 2021 and beyond

In the meantime, the TSX reeks of value, with some pretty incredible opportunities for growth and value investors alike. And in this piece, we'll have a closer look at two TSX stocks I'd look to buy ahead of what could be a turbulent September 2021. Indeed, a mild pullback amid modest volume in late August does not look to set a pretty stage going into arguably one of the more feared months for stock investors.

What type of value makes sense to pick up here? **Alimentation Couche-Tard** (TSX:ATD.B) is atop my shopping list as we head into September 2021. Despite recent momentum, the name is still incredibly cheap, both on a trailing multiple basis and looking forward into a more favourable economic environment.

Alimentation Couche-Tard: The night owl awakens

Couche-Tard recently broke out to around $52, even as the broader TSX Index exhibited a bit of weakness. Undoubtedly, the TSX is chock full of energy and materials names, both of which have seen their rallies run out of steam in recent months. The other names, which are underrepresented on the Canadian index, are still on pretty decent footing, even amid the latest COVID wave.

The company has a solid growth plan. And value investors took notice following its Investor Day a few weeks ago. Once Couche-Tard starts acquiring more convenience stores, I suspect the news of such deals could act as drivers in the share price. Just how high could Couche-Tard fly? Based on my personal models, I think Couche-Tard stock could easily surge another 30% over the next 18 months. That's a pretty good return in this type of environment, which many fear is on the brink of a correction.

Although the frequency of M&A has slowed in recent years thanks in part to COVID-19, I find nothing has changed about the firm's defensive growth story. I believe that all that's changed is the valuation has become more attractive amid the firm's continued outperformance. At 16.8 times earnings, the TSX stock is close to the cheapest it's been in quite a while. There's nothing wrong with this company. It's still the same M&A king it used to be, even though its P/E multiple suggests otherwise.

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