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

Description

The broader basket of Canadian stocks are riding on considerable momentum going into September 2021. While the return of volume could bring forth a return in volatility, a spike in the VIX, and a potential pullback in the TSX, I'd argue that there are Canadian stocks that are cheap enough to not only weather the next 5-10% pullback but undervalued enough such that they're able to move higher, even if the market were to trend lower.

That's the beauty of self-guided investing. And if you desire to beat the markets, it's a good idea to take a page out of Warren Buffett's playbook by swinging at the perfect pitches thrown your way, regardless of which inning we're in or what the score is at any given instance.

Quality Canadian stocks that are still cheap today

Without further ado, consider integrated oil kingpin **Suncor Energy** (TSX:SU)(NYSE:SU) and red-hot grocer **Empire Company** (TSX:EMP.A).

Suncor Energy: Dethroned and discounted

Oil prices are back on the ascent after cooling off for the summertime. Undoubtedly, some pundits believe that commodities, oil included, could really start to heat up going into autumn. Yesterday, oil jumped a whopping 6% in a single trading session, propelling the loonie and various Canadian energy stocks higher on the day. As the next leg of the oil rally kicks in, WTI prices could easily test the US$80-per-barrel mark. And if it does, Suncor Energy stock could have room to run.

The Canadian oil sands darling has fallen drastically out of favour over the past two years. Not only did the stock implode on itself during the 2020 stock market crash, but unlike its peers, shares have struggled to climb back despite the incredible move in oil. Shares rallied as high as $30 per share, down 32% from January 2020 highs, before sagging to $22 and change, off nearly 50% from January highs.

Suncor went from king to underdog in a hurry amid the pandemic, losing the crown of the largest Canadian oil company to top peer **Canadian Natural Resources**. Indeed, the dividend reduction it served investors last year certainly did Suncor stock no favours. With shares trading at around book value, I think contrarians have a lot to gain (and not a lot to lose) by initiating a position at these depths.

Despite recent strength in oil, Suncor is still flat on the week. In due time, I think the fundamentals will dictate the trajectory of the stock price again.

Empire Company: Thriving amid inflation

Empire Company has enjoyed a remarkable turnaround since the painful days of its 2015-2016 bear market that saw shares shed over half of their value over the timespan. Operations were in a bit of a mess before **Canadian Tire** boss Michael Medline stepped in to turn the ship around. Since bottoming out in early 2017, the stock has been in full-on rally mode, soaring over 160%. The stock hasn't looked back, and I don't think the momentum is about to subside anytime soon, as the firm has done extraordinarily well in this inflationary environment.

What's up next for the red-hot grocer? Likely more of the same. Despite the recent run, the stock still seems dirt cheap at just 15.8 times trailing earnings and 0.4 times sales. The 0.27 beta means EMP.A stock is less likely to follow in the footsteps of the TSX. And if you fear a correction, the discounted defensive may be an ideal candidate to batten down the hatches for your portfolio before the market waters have a chance to get rough.

The bottom line on the two cheap Canadian stocks

There you have it: two Canadian stocks with dirt-cheap multiples in an otherwise "frothy" market. Undoubtedly, both names are in some of the least attractive areas of the market. But as risk appetite changes, both names, I believe, offer superior risk-adjusted upside potential.

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