2 TSX Value Stocks I Wouldn’t Ignore This September

Description

Historically speaking, September is a turbulent time to invest. But that doesn’t mean you should trim your holdings or hold off on buying, especially if you’re worried about inflation’s potential impact on your purchasing power! There’s value that exists in the most expensive markets.

Of course, you’ve got to put in the homework to uncover the value and will need to stay confident in your positions once the markets do inevitably rollover. Despite the handful of correction predictions, I don’t think we’ll get much of a pullback. There are too many dip buyers standing by, awaiting bargains. Of course, a shocking event could send markets nosediving, as they did earlier last year. But pending one unpredictable exogenous event, I’d argue that the trend is likely to continue, with 5% pullbacks being the “new” correction (corrections were formally defined as 10% drawdowns).

In this piece, we’ll have a look at two TSX value stocks I’d be inclined to scoop up right here, even if September is one of the worst times of the year to start doing some buying.

IA Financial

First up, we have a dirt-cheap value stock in **IA Financial** (TSX:IAG), which is a rare breed with its single-digit price-to-earnings (P/E) multiple of 9.6. Is the stock really that cheap? Or is this insurance and wealth managing non-bank financial some type of trap that could hurt beginner investors who gravitate towards the name because it showed up on their value screeners?

Now, the low P/E multiple suggests investors are calling for the next year to be far less profitable than the last. That’s a given, but are investors discounting the company’s abilities to maintain its momentum? What about the prospect of higher interest rates?

Personally, I think IA faces a tough road in 2022. That said, the long-term fundamentals appear as good as ever. Why? Interest rates are rising, and non-bank financials like IA could be the place to generate meaningful alpha over the next decade. Undoubtedly, prospective returns could be modest from here. So, you’ll need to uncover stocks being discounted over near-term factors for a real chance at outperforming the markets. IA is a wonderful business that’s likely headed higher from here, even though its valuation suggests that the bargain to be had is too good to be true.

Even if 2022 proves to be a slog for IA, there’s a 2.7% yield to collect. This below-average yield is another likely contributing factor behind IA’s relative discount to its peers.

Spin Master

Spin Master (TSX:TOY) is a Canadian toy company behind Paw Patrol, Hatchimals, Etch a Sketch, and various other toy brands. With a pipeline of wonderful new offerings that could have blockbuster potential come the holiday season, I’d argue that TOY is a strong buy, as it looks to continue its momentum into a seasonally strong period. Sure, COVID headwinds could dampen performance for some time, but at 2.1 times sales, I’d group Spin as a stock that’s too cheap, with underestimated growth potential.

With a fast-growing digital games business that could continue to be strong over the next year, Spin is a name that should be near the top of your buy list.

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2. TSX:TOY (Spin Master)

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joefrenette