1 Underrated Canadian Stock That's Worth Your Attention!

Description

It's easy to tune out this September and wait for the holiday season to roll around, so you can avoid that "overdue" correction and profit from some sort of Santa Claus rally. Playing it seasonal may seem smart. There's a high chance of a pullback this late summer and early autumn. Still, by doing so, you're timing the markets, and that's never a good idea if you seek to grow your wealth at an above-average rate over time. If you're a seasoned trader with a lengthy track record, then sure, it may be worthwhile to time the markets. But for most Foolish readers, many of whom are playing the long-term game, it's better to continue investing, with less regard for the voices on Wall Street that are either yelling to sell or buy now.

Remember, it's not the next few months that matters. Long-term investors are all about maximizing their risk-adjusted returns over the course of five, 10, 20, or even 30 years. Undoubtedly, a lot of choppiness is to be expected over such a prolonged timespan! Beginner investors need to get used to the volatility and have a game plan to deal with it. Volatility can be a friend to the self-guided investor, especially for those who put in their own homework. With some cash standing by, you can get ahead during times of panic, when Mr. Market marks down the prices of even the highest of quality securities for reasons that are troubling him.

Whenever Mr. Market panics, it's time to get greedy, as you look to gain an edge over the **TSX Index**.

In this piece, we'll have a closer look at one of the most underrated Canadian stocks on the TSX that may be worth picking up right here, as you look to invest through a seasonally weak period and the seasonally strong period that'll be after it.

Canadian Tire

Canadian Tire (TSX:CTC.A) is an iconic brick-and-mortar retailer with an e-commerce business that should not go underrated any longer. The company defied expectations through the pandemic and is likely to continue marching higher on the back of continued e-commerce strength and prudent brand acquisitions (the company still has a solid balance sheet), all while the industry environment looks to heal from the worst of the COVID crisis.

For such a resilient retailer and household name, you'd expect to pay a bit of a premium. At today's valuations? That's not the case. The stock trades at just 10.3 times trailing earnings alongside a 2.4% dividend yield. If the stock traded in the United States, I'm sure it would have been rewarded with a higher multiple, given the smooth road ahead. Call CTC.A stock a name that's got a "Canadian discount," if you will. As a Canadian investor, you'd be wise to take advantage of such a discount while it still lasts.

Undoubtedly, many comparable U.S. discretionary retailers aren't on the cusp of single-digit price-to-earnings (P/E) territory. The markets are frothy, but over here on the TSX, there is no shortage of bargains. And Canadian Tire, I believe, is one of the more embarrassing pricing blunders made by Mr. Market in quite a while.

Brilliant managers, omnichannel strength, continued resilience: that's what you'll get from the company — all traits worthy of a premium price tag, not a discount.

CATEGORY

1. Investing

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joefrenette