2 Oversold Top TSX Stocks to Buy Today

Description

The September market correction is giving investors a chance to buy some top TSX stocks at cheap prices. Let's take a look at two great Canadian stocks that appear undervalued right now.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) operates insurance and wealth management businesses primarily in Canada, the United States, and Asia.

The company took a big hit during the financial crisis a decade ago when the U.S. annuities business exposed Manulife to too much equity market risk. In order to protect its cash position, Manulife cut the dividend by 50%. Since then, management has worked hard to remove risk from the asset portfolio, including the monetization of non-core business units.

As the business rebounded with the improved global economy, Manulife began raising the dividend again, and the current payout of $0.28 per share is above the level before the Great Recession. Manulife's share price was as high as $27.50 earlier this year. The recent dip has it back down near $23.50. Investors who buy the stock at this level can pick up an annualized dividend yield of 4.75%.

Manulife's Asia operations have great potential for growth in the coming years. A rising middle class is expected to boost demand for insurance and wealth management products.

CP Rail

CP Rail (TSX:CP)(NYSE:CP) trades near $83 per share. That's the lowest the stock has been this year. The railway operator has been embroiled with its Canadian competitor **CN** in a takeover battle for U.S.-based **Kansas City Southern**.

CP originally had a deal in place that would see it pay US$25 billion for KCS, which has a rail network that runs in the United States and Mexico. The combination of the two networks would create a North

American company that serves Canada, the United States, and Mexico.

CN decided to spoil the party by bidding US$30 billion to buy KCS. The KCS board liked the offer and chose to break the agreement with CP, even after CP raised its offer to $27 billion. Unfortunately for CN, the Surface Transportation Board (STB) wouldn't grant the deal the ability to use a voting trust to hold KCS while the deal went through the regulatory process. This made it very unlikely the deal would get final approvals.

As a result, KCS has gone back into the arms of CP Rail, and it appears the two will work to build a new life together. CN has decided to abandon its effort to buy KCS and walks away with US$700 million in net break fees.

Assuming the CP-KCS deal gets completed as planned, the new company will be a major player in the North American rail industry for decades. CP's business is already very profitable and should benefit from trade growth among the three countries, as well as international markets, it hopes to serve with a single network.

The bottom line

Market pullbacks offer investors great opportunities to buy top stocks at cheap prices. Additional downside could certainly be on the way in the near term, but Manulife and CP Rail already appear undervalued. If you have some cash to put to work in a TFSA or RRSP portfolio, these stocks deserve to be on your radar right now.

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aswalker