1 of the Best Canadian Value Stock Picks for October 2021

Description

Just like that, the S&P 500 fell into a nearly 5% correction, the first in around a year. The **TSX Index** did a slightly better job of holding its own through what's been a somewhat rocky September. Going into October 2021, anything could be in the cards. With the U.S. Federal Reserve calming markets with no intention to make any drastic steps as of yet, October could see continued strength, as Mr. Market looks to climb out of the modest dip it fell into in September.

While some of the bears on the Street think there's a chance that the market could plunge into a 20% peak-to-trough decline, putting in a bear market at some point over the coming weeks and months, I'd argue that it's a good idea to do some buying in case a 5% pullback is the best we'll get for this year. Undoubtedly, bulls and bears will make their case. But the truth is nobody knows what lies ahead. As such, you need to be comfortable with a 5-10% move in either direction as we close out a pretty solid year for stocks.

In this piece, we'll check out one top Canadian value stock that's worth buying here, especially if you're heeding the warnings of all the bearish pundits on the Street right now.

Caution is always warranted. But excessive caution or being a wallflower on the sidelines with too much cash could hurt your overall risk/reward. That's why you should insist on buying stocks that possess a modest to decent margin of safety, because at the end of the day, that's what matters. Not what people on the Street are anticipating will happen over the near term. For long-term Fools, the near term is less meaningful than most make it out to be.

There are relative bargains in today's market. They could easily slide further if we are due for a 10-15% market-wide drop. But if we're not, the following names could be hard to hold back, as they look to bottom out from their recent selloffs.

CN Rail: Under pressure from analysts and activists

Don't be surprised to see **CN Rail** (TSX:CNR)(NYSE:CNI) make the list. The company has been bombarded with negativity of late. The bidding war for **Kansas City Southern** is over. And CN Rail is walking away as a loser. But given the hefty multiple, the loser of this war, I believe, is a winner of the battle between the two Canadian railways. Why? CN Rail's bid would have cost it US$34 billion. That's not just expensive; it was, for lack of a better phrase, beyond expensive.

Instead of having to raise a considerable amount of debt for a merger that's not guaranteed to create long-term value, the company is getting a US$700 million break fee. With activists applying a bit of pressure and a strategic plan that underwhelmed certain analysts, CN Rail continues to feel the pressure.

The stock is off 8% from its September 2021 high and is a relative bargain in October 2021. If anything, I think the recent negative sentiment pushed forth by analysts and activists has created a buying opportunity. KSU is off the table, and CN Rail, I believe, will be off to the races in 2022. All aboard!

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