3 Undervalued Canadian Stocks That Could Rally in October

Description

September was a poor month for stocks — one of the worst performances since the pandemic began. This could be the early signs of something greater materializing, or it could be a natural pullback. After all, many undervalued Canadian stocks have had an incredible recovery in the last 12 months, even with all the headwinds we are facing.

So, it could be a temporary rebalancing, as investors again look to the future in an environment that offers unprecedented uncertainty.

All this means for investors is that there are still several high-quality Canadian stocks trading undervalued. So, here are three that could rally in October that you may want to buy today.

A top Canadian recovery stock trading undervalued

One of the first Canadian stocks you may want to consider taking a position in soon is **Cineplex** (TSX:CGX).

Cineplex has been one of the most popular stocks since the pandemic began, and its stock was hammered, losing more than 50% in the first month. However, after a year and a half of seeing its business being impacted and stock trading undervalued, the Canadian theatre and entertainment venue operator might finally be ready for a sustained recovery.

The situation in Canada has continued to improve over the last few months. With over 70% of the eligible population fully vaccinated and nearly 80% that have received their first dose, the domestic situation has improved substantially.

This is evidenced when looking at the case numbers, as it looks like we are managing to keep a surging fourth wave in check.

One of the reasons Cineplex has been so impacted and continues to remain so cheap today is due to all the shutdowns. Many thought that by the summer, when these restrictions were lifted, that Cineplex would rally.

However, more fear and uncertainty about this fall kept the stock from ever seeing a major rally. Now that we are here, though, and the situation is much better than many would have imagined, Cineplex's operations can finally begin to recover, and its stock should follow suit.

Once the company reports its numbers for the third quarter, that could be the confirmation needed to begin to rally. And with the Canadian stock still trading down roughly 60% from its pre-pandemic price, it certainly looks like it won't stay this undervalued for much longer.

A top Canadian restaurant company

Another high-quality Canadian stock that's undervalued and could potentially rally as we approach third-quarter earnings season is **Recipe Unlimited** (TSX:RECP).

Recipe Unlimited owns several highly popular Canadian restaurants such as Swiss Chalet, Harveys, and The Keg. The company is in a very similar position to Cineplex and could see a significant rally, as the operating environment for its restaurants continues to improve.

Third-quarter numbers could show a massive boost to sales, as restrictions were eased through the summer, and customers could dine on patios. Furthermore, with the introduction of vaccine passports or certificates in many provinces, these businesses have much less risk of seeing more shutdowns through the fall and winter.

So, with the stock trading at a forward price-to-earnings ratio of just 14 times, it's still considerably cheap. Therefore, it's certainly one to watch this month, as it's one of the highest-quality Canadian stocks that still trades well undervalued.

A top crypto stock that could rally soon

The last stock I'd be watching for a rally shortly is **Galaxy Digital Holdings** (TSX:GLXY). Galaxy is an exciting financial services company that operates in the cryptocurrency industry.

It's building a portfolio of segments that all complement each other, giving Galaxy a tonne of diversification and setting it up to grow with the popularity of the industry. This makes it an excellent long-term investment.

Despite the industry being as popular as ever, though, and major cryptocurrencies like Bitcoin and Ether back within roughly 20% of their all-time highs, Galaxy still trades down more than 50% from its all-time high.

Furthermore, the stock trades at a forward EV/EBITDA ratio of just 5.4 times. That's extremely cheap, giving Galaxy a tonne of potential to rally soon.

And considering the stock is one of the best long-term investments you can make in one of the best growth industries there is, buying the Canadian stock undervalued today might be one of the best opportunities you'll have all year.

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3. TSX:RECP (Recipe Unlimited)

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