2 of the Best Canadian Stocks to Buy After a 5% Selloff

Description

The market sell-off appears to be calming down after Monday's brutal down day. While there could be more downside as we inch closer to the end of October, now is as good a time as any to start buying some of the unfairly-hit Canadian stocks because even if markets continue trending lower, they may not participate in any such further downside.

Without further ado, consider the following two Canadian stocks that look to be among the most attractive after a mild "half correction" in markets:

Manulife Financial

Manulife Financial (TSX:MFC)(NYSE:MFC) stock has become so ridiculously cheap that it's likely to be less influenced by a continuing of this broader market pullback. Undoubtedly, Manulife's comparables are going to get more challenging over the next year. Still, with a modest slowdown already baked into the share price, I'm more inclined to be a buyer, even with the belief that markets will fall another 5-15% from here.

The stock trades at 6.7 times trailing earnings. The recent 10% slide in shares off its spring 2021 highs has also caused the dividend yield to swell back to 4.6%. Although the Asian business has more than its fair share of challenges, I'd argue that the long-term fundamentals have been little changed. The Asian growth story is still very much on the table, and once COVID-19 pressures show signs of easing—whether in 2022 or 2023—it'll be tough for Mr. Market to keep MFC stock down at these levels.

Indeed, Manulife has been a big underperformed over the past five years. But the depressed valuation that's resulted, I believe, is too good to pass up, especially for those in the market for a cheap but stable dividend.

Spin Master

Spin Master (TSX:TOY) stock has been trending lower of late, thanks in part to global supply chain disruptions that could severely dampen the holiday season.

Spin tends to be sensitive to the seasonality factor, and having another holiday season impacted does not bode well for the stock over the near term. Even if there is a toy shortage for the holidays, long-term investors should give Spin the benefit of the doubt. The company's digital games business can pick up the slack if it's able to keep up the momentum it experienced during the worst of 2020's pandemic-induced lockdowns.

Moreover, many past holiday seasons have had the bar set pretty low. Whether it be significant operational changes ahead of the fourth quarter or underestimating the demand for hit toys (think Hatchimals a few years back), it's clear that the firm could benefit from greater operational leadership. With recent shuffling at the c-suite, I do think Spin is capable of climbing back to its former glory. For now, investors should nibble away at weaknesses that could last another quarter or two.

At around 28 times trailing earnings, Spin stock isn't cheap. But the bar is set low, and growth in digital games may very well pave the way for a surprise beat against downbeat estimates.

The bottom line on these two Canadian value stocks

Spin Master and Manulife are beaten down, and expectations are low heading into year's end. While untimely, both firms still have solid long-term fundamentals (think the next five years and beyond), making them great contrarian picks for those looking for value without having to run the risk of excessive downside should stocks continue tumbling into late October and November.

CATEGORY

1. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:TOY (Spin Master)

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