The Best Canadian Stock to Buy in October 2021

Description

Don’t let the recent barrage of volatility derail your long-term investment plans, as many of the best Canadian stocks became that much more attractive after a turbulent start to October 2021. Indeed, September and October are dreaded times to be an investor, and this year gave us a 5% correction. Will it extend before investors punch their ticket ahead of a potential Santa Claus rally? Only time will tell, but investors must not take any market strategist calls as gospel.

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A choppy start to October 2021 may prove to be this year’s best buying opportunity

Far too many strategists are bearish on the markets right now. While there are real risks that could propel us into a bear market, I’d argue that such extreme bear-case scenarios are improbable. But does that mean you shouldn’t prepare for them? Definitely not. You should always be prepared for the worst.

That said, you shouldn’t position your portfolio in a way such that you stand to lose if a bear-case scenario doesn’t occur. Undoubtedly, you could miss out on gains by being a wallflower, stuck on the sidelines with too much cash. In addition, with inflation likely to remain elevated for another few quarters, your purchasing power is poised to take a hit. While you won’t lose money by playing it safe and hoarding cash, waiting for a 20% drop, your wealth will lose its potency at a faster rate.

Inflation raises the upside risks of holding cash and bonds

Inflation is transitory. At least, that’s what the U.S. Fed believes. But what does it mean? And why is chairman Jerome Powell “frustrated” by the rate of inflation, which is unlikely to go away in early 2022? Is inflation transitory in that it will be tempered and fall back to 2% over the next several months? Or is it the next several quarters? What if inflation stays elevated for years, as it did in the 1970s?

We’re all feeling the pain of inflation these days. And unfortunately, nobody knows with any degree of precision when it will back off and what the implications on the stock market will be. In any case, investors must treat the recent 5% dip as a buying opportunity to put more money to work. Like it or not, we may not reach that official 10% correction, as many expect this year or even over the next 18 months, given the lack of investment alternatives that can generate a somewhat decent return.

Algonquin: A top Canadian stock to play defence over the near term and offence over the long term

For many of today's young people, bonds are just not worth it anymore. But that doesn't mean young investors should take greater risks within the equity markets. **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is just one of many dividend-growth stocks that have recently dipped into deep-value territory amid COVID pressures.

Undoubtedly, Algonquin's juicy upfront yield of 4.7% is worth picking up the stock on its latest decline. But its low valuation makes it one of the cheapest green energy power plays on the **TSX Index** these days.

While COVID headwinds may take a mild hit to longer-term growth prospects, the stock is already priced with nothing but negativity in mind. Given profound secular tailwinds in the green energy space and the premium that should accompany high-quality utility assets, Algonquin has no business trading at under 14 times trailing earnings. Fresh of a nearly 19% pullback, the low-volatility stock, which has a 0.38 five-year beta, looks like a magnificent way to dampen volatility that will come with uncharted waters on the horizon.

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