



1 Dirt-Cheap Canadian Stock to Buy Right Now!

Description

A market selloff can be a terrible thing to waste. Even though a 4-5% dip is nothing more than just a [blip](#) in the grander scheme of things, I think that those waiting around for deals should feel enticed to do at least some buying of the names on their watchlist that are down at least 10% from their highs. It's a weird 5% dip, given so many very high-quality names have been dragged down by so much more. Undoubtedly, various sectors have had to do more of the heavy lifting (think energy stocks on the back of the recent rally in commodity prices), while others have sagged.

You wouldn't know it from just looking at the **TSX Index**, but there has been considerable volatility. And [stock pickers](#) who weren't diversified may be feeling much more pain than index investors, at least over this past month or so!

In due time, the tables will turn. And those who choose to top up their hardest-hit names may get the most bounce whenever Mr. Market is ready to move on from this period of seasonal volatility. It's no coincidence that the much-anticipated pullback came in September. And if investors play their cards right, Santa Claus may very well be coming to town, perhaps even earlier than expected. If he does, you'll want to continue being a buyer of equities. Like it or not, there's no going back once the bottom is already put in. You've got to be a buyer when people feel enticed to lower the bar on the names on their watchlist.

Buying in the face of profound volatility

Here's one of the better Canadian stocks on my watchlist that make for compelling options on the way down, whether the market bottoms later this month, a week before the holidays, or at some point next year. As an investor, the timing should be less meaningful than the opportunity to get a bit more per invested dollar.

Consider **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), one name that has fallen drastically out of favour with investors over the past few months. It makes for a compelling buy on the dip. But do be prepared to average down, as the magnitude of negative momentum can be quite unforgiving to those

who buy too much, too soon.

Magna International

I was quite bearish on shares of Magna over the past several weeks. But I'm about ready to change my tune on the name, given the selloff now seems greatly exaggerated. The cyclical auto-parts maker tends to surge and plunge viciously based on how others perceive the state of the market cycle. Are we in the early innings still? Or could exogenous events propel us into another recession? Or could we be transitioning into more of a mid-cycle?

It's tough to tell, but I don't think we're late cycle, even with the recent pick-up in volatility and the colossal pullbacks in some of the more discretionary names out there. If we are in the late stages of this market cycle, Magna could have further to fall. But if this is just a breather before the next leg up, perhaps on the back of the elimination of COVID, Magna stock could prove to be a major bargain after plunging around 25% from peak to trough. Shares have bounced back modestly, and I think the bottom just below the \$100 mark could hold.

Magna is one of the best at what it does. The nature of its industry, though, makes the stock much more volatile than the market. With a juicy 2.1% dividend yield and a modest 11.6 times trailing earnings multiple, I wouldn't hesitate to start nibbling on the name here, as it could turn a corner once global shortages of a wide range of goods tempers in the new year. I suspect MG stock could begin rallying well ahead of a solution to said shortages. While challenging quarters are on the horizon, I think such weakness is already mostly baked in here. In any case, I'm ready to change my tune for those who are light on cyclicals. Once shortages resolve themselves, I think we could witness another bout of strength in the autos.

CATEGORY

1. Investing

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