2 Cheap TSX Stocks to Watch Right Now

Description

Cheap TSX stocks are still quite abundant after a turbulent year of rolling corrections. Looking ahead, there are many uncertainties on the table, and corrections could continue rolling through various sectors. Indeed, the rate jump that weighed heavily on growth stocks may not yet be over. That's why a value and reopening shift may be most prudent as we head into the unknown.

If you seek value and are terrified of the downside potential to be had in unprofitable growth companies with price-to-sales multiples above and beyond 20 or even 40, consider rotating back to good, old-fashioned value, which is more likely to be spared if another rate-driven selloff occurs between now and the end of 2022.

Right now, there are a lot of single-digit price-to-earnings (P/E) value stocks that are close to the cheapest they've been since the depths of earlier last year. What should one make of such low multiples? Is the value to be had too good to be true? Are earnings expectations too low such that each value name could blow past coming estimates? These are the questions to ask when scooping up the many cheap TSX stocks that nobody seems to want these days.

Cheap TSX stocks that are getting cheaper and cheaper

Pending a catastrophic market-wide surprise, such single-digit P/E stocks, I believe, are not value traps. They're buyable, and while some may be in for muted growth in the new year, I think that some are more than capable of continuing to defy the odds in a challenging environment.

Consider **ONEX** (TSX:ONEX), which trades at a 4.3 times trailing earnings multiple, and **Canadian Tire** (TSX:CTC.A), which goes for just 9.7 times earnings, despite clocking in an incredible year in spite of COVID pressures. Both names reek of value, but until they impress through a potential economic slowdown (could stagflation be in the cards in 2022?), they may be destined to stick around in limbo for a while longer.

ONEX

ONEX makes a strong case for why it could be one of the cheapest stocks out there this late October. The stock got decimated in the coronavirus crash, but shares steadily resumed higher. Currently 10% above its pre-pandemic 2020 high, ONEX looks unstoppable from a momentum perspective.

With solid results, the multiple has compressed considerably such that it's getting ridiculous. At 4.3 times trailing earnings, you'd think there's something horribly wrong or that there's a ton of baggage. That's not the case. ONEX may have plenty of businesses negatively affected by COVID, but as the great reopening takes hold, the company will likely continue powering higher.

Canadian Tire

Canadian Tire is an iconic retailer that stumbled last year but has proven to be resilient in a big way. Still, the stock trades as though it's going out of style, and for no good reason! The e-commerce business is strong, and the firm is slowly building its moat, with exclusive brands and partnerships to expand into new product categories. Pet food with Petco and party supplies with Party City are just two of what could be many magnificent brands that could keep Canadian Tire ahead of the pack.

At 9.7 times trailing earnings, expectations are low for CTC heading into 2022. I think they're too low such that a big beat could fuel a rally to $250. Canadian Tire has impressed the Street through a pandemic-plagued year, and I think it can continue impressing. Doubters, beware!

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:ONEX (Onex Corporation)

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