2 Discounted TSX Stocks to Watch Right Now

Description

It's a good idea for Canadian investors to maintain a list of **TSX** stocks they'd be willing to buy on a dip. Indeed, extremely undervalued stocks can be hard to find, especially in a bull market where there's a considerable amount of speculative activity. Undoubtedly, there are pockets of overvaluation in some of the sexier areas of the market. But you don't need to go anywhere close to them. Instead, you should look to the names that may be discounted by a Mr. Market who may be prone to mispricings to the downside.

Consider shares of **Spin Master** (TSX:TOY), which blasted off around 15% on Thursday after the firm increased its outlook, and **Enbridge** (TSX:ENB)(NYSE:ENB), a best-in-breed pipeline that may be ready for its next leg up after many years of consolidation.

TSX Stock #1: Spin Master

What a day it was for the Canadian toymaker, which nearly hit the $49 mark before ending the day at $48, up 14.6% from the day prior. Don't say you weren't warned that Spin stock was severely undervalued, though, as I've been pounding the table on a firm that had fallen too far, too fast over the same old news. Supply chains issues will mute the holiday season, the best time of the year for many firms, especially those in the toy industry. Still, I saw the digital games business momentum as more than enough reason to buy shares on the dip ahead of the third quarter.

For Q3 2021, Spin really knocked one right out of the ballpark, with US$714.5 million in sales and an outstanding US$1.26 in per-share (diluted) earnings. On the top-line, Spin saw an impressive 25% in growth year over year in the face of unprecedented supply constraints. Very impressive.

The company now sees total sales for the year rising 20%. Indeed, the Street had its expectations way too low going into the quarter, and now it's been raised substantially. I still think it's too low given the calibre of Spin's business and the magnificent toy and digital gaming businesses. Add the long-term metaverse trend into the equation, and I think a 0.6 times sales multiple makes zero sense.

TSX Stock #2: Enbridge

Enbridge has been in rally mode for many months now, breaking its negative multi-year trend. Will it reverse as energy prices blow off a top? Or could Enbridge have enough wiggle room to withstand a meaningful pullback in energy prices? As a less-sensitive midstream player, I think few things can stop Enbridge's remarkable run. Even for best-in-breed upstream producers, a pullback seems baked in after oil's incredible run.

With the energy patch breathing a sigh of relief after a horrendous year, Enbridge looks ready to make up for lost time, rewarding investors with juicy dividend hikes on its already sizeable 6.4%-yielding payout.

Further, Enbridge's valuation still seems too low, leaving more in the way of upside as the firm continues its growth. The firm's ample cash flow generation and easing industry conditions may set the stage for a return of the Enbridge of old.

Now up over 28% year to date, it seems like Enbridge is ready to move on from a painful past few years. Call management "too shareholder-friendly" if you like, but it was the right move all along.

CATEGORY

1. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:TOY (Spin Master)

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