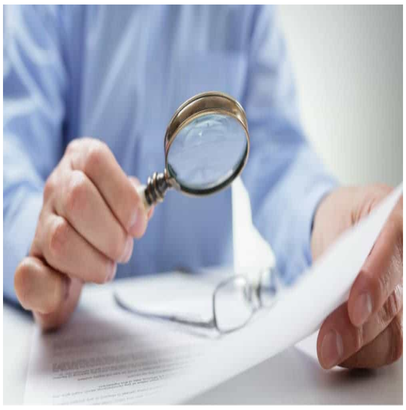

2 Canadian Value Stocks to Buy if You Think 2022 Will Be Turbulent

Description

Many pundits are already viewing 2022 as a sub-par year for stocks, at least compared to 2021 and even 2020. Undoubtedly, there will be much in the way of surprises in the new year, and the bar set in 2021 will be hard to pass. Still, that doesn't mean investors should look to sell their stocks in anticipation of a market correction or crash. However, it is a good idea to have just enough dry powder on the sidelines, so you're able to buy on dips while being able to meet your personal liquidity situation.

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At this juncture, American-heavy firms like **Alimentation Couche-Tard** (TSX:ATD.B) and **TD Bank** (TSX:TD)(NYSE:TD) seem like great Canadian value stocks to buy for 2022, even if it is poised to fall well shy of 2021 on a returns front. Remember, stock pickers don't need to settle for market returns. If they pick their spots carefully, they can do better than what markets have to offer. And the following two value plays, I believe, improve one's odds of doing very well, even if next year ends up being a less remarkable year for markets on the front of returns.

Couche-Tard

Couche-Tard is a convenience store kingpin that's really seen the pace of M&A slow in recent years. Undoubtedly, many failed pursuits of big-league firms, including French grocery giant Carrefour and convenience store behemoth Caltex Australia, were big news in the financial media. While Couche has gone on to make bite-sized deals since the two needle-moving pursuits, the company still has the means to make a significant splash on the acquisition front. Sure, valuations have been quite stretched amid the market's latest march higher. And that may be why it's so hard for management to pull the trigger. Couche-Tard isn't one for making deals that won't create value or at least a good chance of creating value over the long run.

Couche's silence, I believe, is a good thing. Come the next big downturn, expect Couche to get active with its incredibly healthy balance sheet. The discipline of management and its ability to double net income over the next five years makes the name a great buy for the long run.

For now, the stock trades at 16.3 times trailing earnings. That's not a growth multiple. In fact, the price-to-earnings multiple has compressed from below the 20 times range over the past few years, likely because investors are skeptical over the firm’s growth prospects, as more EVs replace gas-fueled vehicles. I think the discount is completely unwarranted. Just look to the firm’s performance in EV-heavy markets like Norway and the retail innovation lab at McGill University. There’s a lot to like, as the firm’s store concepts change for the better.

As a consumer staple, Couche is likely to be a foundation for your portfolio if 2022 proves choppy.

TD Bank

TD Bank is a top Canadian bank that’s also seen its price-to-earnings multiple compress, as investors favoured its peers in recent quarters. Undoubtedly, TD hasn’t knocked one out of the ballpark in a while. It’s faded versus its peer group. But don’t think that TD is about to take a backseat to its younger brothers in the Big Six. It’s likely to outpace its peers once higher rates kick in, given the bank has a lot to gain from net interest margin expansion.

For now, TD is likely to trade in line with its peers. If a big acquisition is announced, or if rate hikes start coming in, though, TD could be ready to rally in a big way.

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