



1 Cheap and Safe Stock for a Market Pullback

Description

The stock market pullback continues, as the central bank pulls back stimulus measures. Both the Bank of Canada and U.S. Federal Reserve have reduced their bond-buying programs and talked about raising rates in 2022. That's having a negative impact on stock valuations.

In a rising rate and inflationary environment, tech and growth stocks could suffer more. Investors may want to turn their attention to undervalued companies in traditional sectors that have relatively little downside risk. Here's a top pick.

Cheap stock

Power Corporation of Canada ([TSX:POW](#)) is my top pick for a cheap safe-haven stock. The financial giant is comfortably profitable, undervalued, and outperforming the rest of the market this year.

Power Corp stock is up 40% year to date, compared to 17% gain for the TSX Index over the same period. Despite its impressive run and ability to generate shareholder value, the financial giant has been overlooked. That's an opportunity for bargain hunters.

Growth prospects

A +40% gain year to date underscores strengthened investor confidence about the company's core business. Power Corp has carved out significant market share in the lucrative health insurance asset management and investment advisory sectors. Additionally, the company has roughly \$630 billion in assets under management.

The diversified nature of [its operations](#), which span North America, Europe, and Asia, means it is immune to a slowdown in business activity in any part of the world. Exposure in Asia is a big deal, as the region boasts of tremendous opportunities for growth compared to North America

Penetration of insurance and management products in Asia is quite low. Consequently, there is more

room for growth, which exposes Power Corp to solid opportunities for growth. In addition, the company boasts of strong exposure to emerging FinTech startups through investments in WealtheSimple and Koho. The investments are expected to spur growth in value over the next few years.

Valuation

Amid these solid underlying fundamentals, Power Corp is still trading at a discount. The stock trades at a price-to-earnings multiple of nine. A [price-to-book multiple of one](#) also means there is tremendous value to unlock in the company. This is undeniably a cheap stock.

The fact that the company boasts of an annual dividend yield of 4.69%, means it is a perfect fit for anyone looking to generate some passive income. While the stock has rallied to record highs, pullbacks should act as ideal entry points.

Bottom line

Tech and growth stocks have had plenty of attention over the past few years. However, some of their performance was propelled by the largesse of central banks. Now that central banks are pulling back the punch bowl, these stocks are at heightened risk.

Investors may want to turn their attention to safer cheap stocks. Stocks like Power Corp have strong fundamentals and reasonable growth prospects. There's limited downside here, which is why it deserves a spot on your watch list for 2022. Good luck!

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Author

vraisinghani

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