2 TSX Value Stocks to Watch in January 2022

Description

Indeed, TSX value stocks have been great places to hide and make money amid ongoing volatility focused on high-multiple growth and tech stocks. Cathie Wood's ARK Invest line of funds has been taking heavy damage over the past year. Her focus on innovation at hefty multiples paid off big in 2020. Still, the incredible momentum now appears to be reversing, with her flagship **Ark Innovation Fund** sinking further on Thursday's brutal sessions of trade.

Undoubtedly, higher rewards potential comes with the cost of higher risk. While only time will tell if Wood's aggression will pay off over the long haul (think three to five years), most investors unwilling to witness their names fall double-digit percentage points in any given week would be best-served with value stocks, specifically those with competitive advantages that investors may have lost sight of.

In this piece, we'll have a closer look at TSX value stocks that can continue higher, even as the Cathie Wood stocks continue amplifying damage faced by the tech-heavy Nasdaq 100 index. Although value stocks may have less bounce-back potential, I think they're great diversifiers for investors who find they're already quite overweight in some of the exciting names like those within ARK's line of funds.

As exciting as they are, it's hard to tell when they'll bottom, and as rate hikes continue to be served up, unprofitable growth companies that don't expect to make a profit anytime soon will continue taking on a brunt of the damage. Indeed, price-to-sales (P/S) multiples on select names, specifically those in the ARK line of funds, still seem very expensive and difficult to evaluate in a potentially rising-rate environment that we're about to enter in 2022.

Consider **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Tucows** (TSX:TC)(NASDAQ:TCX), two intriguing value options for investors who are all about achieving solid risk-adjusted results.

Royal Bank

Royal Bank of Canada is a Steady Eddie dividend stock that the average Canadian investor is likely already exposed to, given it's a core holding in many Canadian mutual funds and ETFs. The number one Canadian bank held its own during the COVID crisis and is ready to kick-off a potential multi-year rally, as loan growth and margin expansion begin to take the place of provisioning.

Indeed, the favourable environment for the financials is familiar to the Big Six. Still, for those who want a proven winner at a reasonable price tag, it's hard to match the value proposition as the likes of a Royal Bank. The stock trades at 11.8 times trailing earnings at writing alongside a juicy 3.7% dividend yield. With the rally showing signs of stalling, I wouldn't worry about a reversal as recent numbers, I believe, should support the stock in a potential run to towards $150 per share.

With higher rates, big buybacks, and dividend hikes in the forecast, I suspect it'll be tough to keep RY shares from trending higher in the new year.

Tucows

Tucows is an IT service and telecom firm (through its subsidiary Ting Mobile) with promising growth prospects. The stock recently corrected and seems ripe for buying, as the firm continues investing in its growthier fibre and mobile services. Indeed, domain registrars aren't going to be a source of huge growth, but it is a solid cash flow-generative business that can help Tucows continue spending on its growth ambitions over at Ting.

Indeed, Tucows is a lesser-known play, but it's one with a low beta (0.59 beta) and a dirt-cheap multiple (3.1 times sales).

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Date
2025/09/23
Date Created
2021/12/17
Author
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