1 Incredibly Boring Canadian Stock to Watch Right Now

Description

Sometimes boring is beautiful, especially as the market punishes the higher-growth Canadian stocks, even as rates on the 10-year U.S. Treasury note drop amid soaring Omicron variant cases worldwide. Indeed, investors are looking ahead to 2022, with the likelihood of three or so rate hikes that could be in the cards.

Although central banks want to hike rates three times to temper elevated inflation, there may be less if Omicron and future variants prove more insidious than expected. In short, rates are likely to rise, but they may not rise nearly as fast as most investors think. As a result, inflation could stay hot for longer, as central banks focus on preventing loss of employment come what looks to be another wave of lockdowns.

An uncertain environment that could bode well for a sustained growth-to-value rotation

Now, Canada doesn't want to lockdown as it did in 2020. But given some European nations were left no choice amid the horrific spread of Omicron, the odds don't look great, as the new variant looks more contagious and elusive of the two doses of vaccine. Simply put, COVID remains a top source of uncertainty, and monetary policy will likely pivot in response to what happens next with economies, as they deal with what could be another terrible wave of cases, restrictions, and, possibly, lockdowns.

Monday's trading session was quite brutal, with lockdown stocks getting a bit of a lift, as reopening stocks like Air Canada stock added to their already extensive losses. As volatility picks up, boring Canadian stocks could be a safe haven. If they get dragged down too, as they did in the 2020 stock market crash, investors can feel comfortable buying more, even in the face of profound pandemic uncertainties.

Consider **Cascades** (TSX:CAS), one of the most boring Canadian companies that investors may wish to buy to fight more volatility going into the new year. Indeed, a name like Cascades is the opposite of the high-multiple names that are in the market's crosshairs right now and can help investors diversify their portfolios to improve their chances of beating the market in a year that could see Warren Buffett's boring value approach beat Cathie Wood's aggressive growth strategy yet again.

Cascades: A high dividend with a valuation too good to pass up!

Cascades is a tissue product manufacturer with a steady source of demand. The only source of volatility comes from input cost fluctuations and other operational efficiency changes. Fortunately, management seems to be on a path to getting operations on a better track amid ongoing COVID disruptions. That's a good sign. With unfavourable input cost (pulp) moves pressuring shares in recent months, though, it's not a mystery as to why investors have moved on from the name.

With a rock-bottom 10.5 times trailing earnings multiple and a 3.6% dividend yield, $13 and change per share seems way too cheap in my books. The $1.35 billion company will eventually see commodity price fluctuations turn in its favour. As operations improve, the stock could turn around in a hurry, even in the face of a rate-induced implosion in growth stocks.

If anything, Cascades may be the ultimate anti-high-multiple stock. For that reason, I'd add the name to my watchlist today.

CATEGORY

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