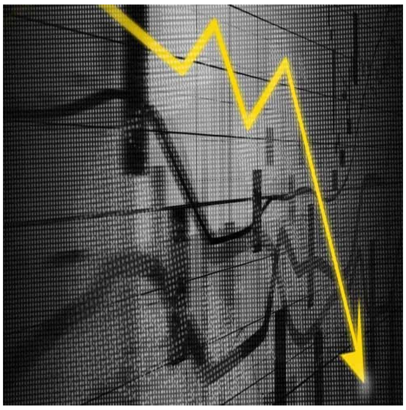

2 Tanking Canadian Stocks to Buy on the Dip

Description

Tanking Canadian stocks aren't necessarily the greatest bargain plays. That said, whenever you've got a fast-falling stock, the degree of market inefficiency may be at a high point. Undoubtedly, every investor wants to be on the receiving end of a massive bounce after they've punched their ticket to a crumbling stock.

Unfortunately, Mr. Market couldn't care less about when you or any other investor gets into a stock. Indeed, fast-falling knives can do some damage, at least over the near term, to investors who are just looking to book a quick profit, with less consideration for the long-term fundamentals.

At the end of the day, near-term noise blows over, leaving the long-term fundamentals intact. The real question for investors is whether recent weakness in a name is warranted or if it's just noise. Indeed, the ability to tell the difference between noise and actual fundamental-decaying news is an incredible asset to have.

Top Canadian buy-the-dip candidates for 2022

In this piece, we'll have a look at two stocks that turned violently in recent weeks but are likely candidates to ricochet back to new highs in as few as 18 months. Consider shares of grocer and retailer **North West** (TSX:NWC) and number-six Canadian bank **National Bank of Canada** (TSX:NA). Both stocks have turned violently of late, as their peers continued to hold their own. Indeed, there are company-specific issues that may need further analysis by investors before any dip-buying is conducted. Let's have a closer look at each name to determine if either is a better fit on weakness for your portfolio.

North West

North West is a mid-cap retail play that few Canadians know about. It's a retailer primarily operating in rural locations in North America's northwest. The stock has proven to be quite resilient to broader market volatility through the pandemic, with steady appreciation since the bottom put in back in March

2020. With a 4.3% dividend yield and a low beta, NWC stock is the ultimate defensive way to bring the fight to inflation.

Over the past year, NWC stock has run out of steam, returning just 5% year to date. More recently, the stock plunged around 8% from its recent high, as investors were not impressed with the company's latest financial results. Indeed, grocers have been a great way to dampen the hit from inflation. Food is a necessity, and grocers are better equipped to pass the costs on. Unfortunately, shipping costs have also been elevated, and as an operator in rural locations, the firm has felt the pressure across both fronts.

Moving forward, it's likely that inflation will come back down as central banks raise rates. North West is doing its best to adapt in the environment, and as the stock flirts with a correction, I'd look to be a buyer of the top-tier defensive.

National Bank of Canada

National Bank of Canada went from top performer to laggard after the curtain was pulled on the latest earnings results. Fortunately, I don't think the relatively weak quarter is the start of a trend for National Bank. The bank is leading the charge for consumers by doing away with trading commissions.

In time, I think National Bank will begin to take further steps to apply a bit more pressure to its five bigger brothers in Canada's banking scene. As the bank expands its presence across the country, I think it can take share. After an 11% peak-to-trough drop, NA stock seems ripe for picking, as it seems to be a relative bargain in a space poised to ride on major rate-induced tailwinds over the next few years.

CATEGORY

1. Investing

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2. TSX:NWC (The North West Company Inc.)

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