



3 Dirt-Cheap Value Stocks for the New Year

Description

A new year is upon us.

And there are plenty of bargain stocks to be found.

December has been a weak month for global markets, with plenty of damage observed — particularly in big tech. Investors are very worried about Omicron and rising interest rates. To an extent, they're right to be concerned. Omicron is indeed leading to lockdowns, including a major one in Quebec. And interest rates are set to rise in 2022 — in the U.S., not once but three times!

Still, I view this selloff as a buying opportunity. Omicron will pass, and 2022's rate hikes, while numerous, will not take rates to extreme levels. So, there are plenty of reasons to be optimistic — particularly toward value stocks. Value stocks like banks and energy companies are trading at very low multiples, and they're the perfect antidote to the speculative fervour of 2020 and 2021. With that in mind, here are three dirt-cheap value stocks for the new year.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a classic value stock trading at 18 times earnings, 1.3 times sales, and 1.19 times book value. The stock barely costs more than the value of the underlying assets, net of debt. Yet the market is pricing SU like it's going out of business.

Why is that?

Suncor is [vulnerable to the COVID-19 pandemic](#). As waves of COVID sweep the globe, travel tends to lessen, resulting in lower oil prices. This is already happening in the fourth quarter. As of this writing, WTI oil prices were down 4.5% month over month. It was a pretty steep decline, and it may affect Suncor's earnings for the quarter. But as we saw earlier in the year, oil prices can recover quickly when the pandemic wanes. So, Suncor may have a good year ahead of it if the Omicron scare fades.

TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a [value stock that I personally own](#). It trades at just 11 times earnings and has an 11% compound annual growth rate in net income. This is a decent combination of growth and value. Additionally, the Federal Reserve and Bank of Canada are raising interest rates next year, which could benefit TD Bank. When interest rates go up, the spread between deposit interest and loan interest rises, leading to higher profit margins for banks. TD stands to benefit from this phenomenon, as it does business in both the U.S. and Canada.

Micron Technology

Micron Technology ([NASDAQ:MU](#)) is a stock with a truly unbelievable combination of growth and value. As of this writing, its stock traded at just 16 times earnings, 2.9 times sales, and 1.8 times book value — very cheap for a tech stock. Yet its earnings grew by an astonishing 176% in its most recent quarter. You don't see a mix of growth and value like this very often. When you do, you go all in. Sure, Micron does face some price volatility in its core product — DRAM. But with the tech scene getting ever more complex, there is a need for advanced memory and storage products that Micron is serving well. I'll be holding this one for a while.

CATEGORY

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3. NYSE:TD (The Toronto-Dominion Bank)
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