2 Canadian Stocks That Are Too Cheap to Avoid

Description

Making a strong start to the year when the market is going through an uncertain time might seem challenging. Identifying the right assets can help you unlock the potential for substantial investment returns. However, choosing the wrong investments right now could result in significant losses.

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Many investors might consider hoarding cash as the market remains volatile. However, rising inflation rates and impending rate hikes mean that holding onto your savings as cash comes with a massive opportunity cost. If you're an investor looking to steer clear of volatility, you should consider looking for high-quality stocks with strong fundamentals that offer more intrinsic value than their share prices reflect.

Consider looking for undervalued stocks of companies that offer clarity on earnings and cash flows so that you can conduct your due diligence and pick the right stocks. Today, I will discuss two seemingly boring stocks that could be too cheap for you to ignore right now.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a $12.32 billion market capitalization company headquartered in Oakville. It is a major renewable energy and regulated utility conglomerate with assets diversified throughout North America. Algonquin stock is one of the best plays for the renewable energy industry, and it has surprisingly been sold off significantly this past year.

At writing, Algonquin stock is trading for $18.38 per share, and is down by 12.27% year over year. At its current levels, Algonquin stock boasts an inflated 4.67% dividend yield. My take on this stock is that it has been oversold, and its current dividend yield is a steal. The renewable energy industry will become huge in the coming years, and investors who establish a position today could be in for massive upside in the long run.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is not a stock that you would typically consider "cheap," but the bank stock might present a lot of upside potential. The $88.31 billion market capitalization bank is one of Canada's Big Six banks. BMO already has substantial operations in the U.S. However, its recent acquisition of Bank of the West in California opens up more room for the Canadian bank to grow in the U.S.

BMO is one of the better-run banks in Canada. Its latest acquisition sets the stage for more growth in the coming years. There is skepticism about the deal being too expensive, but it could provide significant returns as its operations expand in California through Bank of the West. At writing, BMO stock is trading for $136.59 per share, and boasts a juicy 3.89% dividend yield that you could lock into your portfolio today.

Foolish takeaway

Investing in companies that have the potential to deliver further growth and become more profitable over the medium term could be a fantastic way to begin another year of stock market investing. Ideally, you should think of stocks with valuations that are at the lower end and boast the potential to deliver significant growth.

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The financial sector looks well positioned for a massive rally in the current circumstances, and renewable energy companies appear to be oversold. Investing in both spaces could be an excellent way to start the year. BMO stock and Algonquin stock could be ideal additions to your portfolio.

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1. Dividend Stocks
2. Investing

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2. NYSE:BMO (Bank of Montreal)
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