3 Stocks to Ride the Current Recovery Wave

Description

It might be a long time before Canadian investors suffer through (and benefit from) another full-scale market crash, but small dips and modest corrections can be good for investors as well. And even if they are market-wide, they may push down some stocks more than others.

And now that the TSX is recovering from a small dip it experienced a few days ago, there are three stocks that might change the tide soon, and you should consider buying them before the discount tag is fully removed.

A software company

Open Text (TSX:OTEX)(NASDAQ:OTEX) has been going downhill for a while now. The stock is currently trading at a 12% discount from its 2021 peak, which was a few months ago. But the stock has started to climb following the current recovery trend, and if you consider its historical growth pattern (which contains a lot of fluctuations), this might seem like the start of the next long-term growth phase.

This makes the current discounted price quite attractive. The stock is also reasonably valued, especially considering the usual tech sector valuations. Open Text also pays dividends, and even though the yield is small (1.8%), the fact that it's an aristocrat and your payouts will keep increasing over time gives it *some* weight as a decent dividend-growth stock.

An insurance company

Another aristocrat that is still discounted and might start following the current recovery bout is the multinational insurance company **Manulife** (TSX:MFC)(NYSE:MFC). The stock is currently trading at a 12% discount from its pre-pandemic peak, and it has been sliding down since it hit the recovery peak in March 2021.

And it's a good sign that the company didn't follow the mad recovery-fueled growth pattern of some other stocks. Because now, when it grows, triggered by the current recovery wave, it will be organic and, hopefully, a lasting growth phase that pushes the stock steadily upwards for years, not just months.

The stock is currently undervalued *and* comes with a generous 4.6% yield, making it a great pick for its dividends, if not for its recovery-based growth potential.

An energy giant

Enbridge (TSX:ENB)(NYSE:ENB) is the stock you should buy more for its dividends and less for its relatively meagre growth potential. The company is currently trading at an 11% discount from its 2021 peak, which has pushed the dividend yield up to a very attractive 7%. Enbridge's status as an aristocrat and its history of raising dividends, despite extremely tough times, endorses its candidacy as an attractive dividend pick, especially at the current discounted price.

And that's because the stock has already started moving up. And considering the condition of the energy market in general, and the oil demand growing, despite the fear of a new variant growing, the stock might keep moving up for a while. The more it grows, the more capital-appreciation potential you lose, and the lower the yield goes.

Foolish takeaway

The three aristocrats are poised for organic recovery, and a long-term bullish phase and the current TSX uptick might just be enough to get them started on that path. So, instead of waiting for another market crash (which might not come for years) to make them even more discounted, consider buying them now and take advantage of the time factor.

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3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:ENB (Enbridge Inc.)
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