



2 TSX Value Stocks to Buy Right Now

Description

Valuations have become quite stretched, at least across various sectors of the **TSX Index**. On the whole, though, the Canadian stock market actually looks pretty undervalued versus its neighbours south of the border. Undoubtedly, the lack of performance over the past 10 years is a major reason why the TSX has been such a tough index to make money in as a Canadian investor. When will the tide turn? Arguably, it already has begun to turn, with oil prices blasting off above the US\$90 mark for the first time in a long while. Meanwhile, the financials sector is heating up ahead of rate hikes, which bode very well for margins.

Financials and energy were been brutal sectors to own in 2020. In 2022, though, they're leaders that are likely to keep on leading. You see, unlike the momentum plays (tech) in 2020, energy and financials are still pretty cheap. The valuations are still quite modest, as though investors don't expect the good times to last.

While oil could see its top blow off in a return towards the US\$60 range, I'd argue that such a negative move is already mostly baked into some of the dirt-cheap TSX energy stocks. As for the financials, the big banks still seem priced in line with historical ranges. Could it be that investors are discounting the positive macro environment up ahead? Perhaps. The fintech meltdown probably helped the case for owning the big banks. While fintechs represent a long-term threat to the old-fashioned banks, I do think that their disruptive capabilities were blown out of proportion last year. Further, don't discount the banks' abilities to innovate.

TD Bank

TD Bank ([TSX:TD](#))([NYSE:TD](#)) is just one old-school bank that's shown a willingness to pivot with the times. The company expects to hire plenty of tech-savvy folks over the next few years and its tech edge may allow it to thrive, even as disruptors breathe down its neck. Still, TD Easy Trade, the firm's new trading business, may not be what consumers want, with zero commissions (no strings attached) available on a broader range of brokerages. Further, a separate division from its main TD Direct Investing business seems strange in my opinion. That said, I do think that TD is on the right side of

innovation, even if it's taking a half measure with TD Easy Trade, rather than opting to simply do away with commissions altogether.

With intriguing growth opportunities going on behind the scenes, ranging from TD Clari to its growing ETF roster, I think TD stock is in great shape to lead the broader Canadian stock market much higher in a year that could be kinder to TSX value stocks.

Air Canada

Air Canada ([TSX:AC](#)) has suffered quite the drop. With Omicron cases peaking, I do think that the worst is already behind the popular Canadian airline. There's no question that Air Canada was dealt a brutal hand in 2020. Still, you have to give management a round of applause for making it through in one piece, even if it did require a bit of assistance. Today, the balance sheet is in good shape, and the firm has shown signs it can keep hanging in there, even in the face of COVID restrictions.

Undoubtedly, a move into endemic could send AC stock much higher. But in the meantime, it seems like the pandemic could drag on for years. With testing, treatments, vaccines, and enhanced protocols, though, count me as unsurprised if AC stock bounces back well before the pandemic ends. It has a pathway toward normalcy, but it's going to be a turbulent ride. My takeaway? Keep nibbling away at the dips, but only if you're prepared to hold for the next five years and beyond. AC stock isn't a get-rich-quick type of investment. It's a long-term recovery play, and it could take years before AC stock sees its highs again. To see such highs again, the stock would need to more than double. A double in a couple of years is a pretty good return for investors.

In any case, I think Air Canada stock is a [deep-value play](#) for those willing to take punishment come future COVID waves. Short-term pain for long-term gain.

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