



2 Value Stocks at Bottom-of-the-Barrel Prices

Description

You don't always get an [opportunity](#) to snag the stock of [fantastic businesses](#) at incredibly discounted prices, but when you do, you should be ready to make a move. While the markets are moving on from a rough start to the year, not all names have participated in the last week or so of relief. It's these such names that may be worth considering if the market rally has left you behind.

On the TSX Index, there are plenty of compelling value stocks, many of which are still trading at multiples that simply don't make sense. Yes, the risk appetite has changed drastically over the past quarter or so. But that doesn't mean you should base your investment decisions on macro factors or the U.S. Fed. There were massive hits and misses this earnings season. Most surprisingly, the misses were considerable, with some blue chips sagging over 10% in response to lower-than-expected results.

High-quality value stock hiding in plain sight?

Yes, such volatility is unprecedented. That said, as a value investor seeking deep discounts, I'm open to such massive moves in either direction because, as a stock picker, you should cheer on inefficient market moves, because that's how DIY investors can beat markets over the long haul. You don't need to be a genius. But you do need discipline and conviction when it matters most. In addition, you need an independent mindset and the ability to evaluate stocks without bias. That's easier said than done, of course!

Value looks great right now, and in this piece, we'll look at two forgotten names that you should feel inclined to stash on your watchlist today. While I'm not yet ready to call a bottom in either name, I can't help but remark on their favourable risk/reward profiles at this juncture. Their valuations, I believe, leave plenty margin of safety in a time where volatility could remain off the charts.

Consider old-time retail giant **Canadian Tire** ([TSX:CTC.A](#)) and insurance firm **Intact Financial** ([TSX:IFC](#)) — two very high-quality names that look well worth picking up today. Let's have a closer look at each.

Canadian Tire

Canadian Tire saw its big relief rally end with a nearly 20% bear market moment. Despite its resilience through lockdowns and continued efforts to differentiate itself from the pack, Canadian Tire still trades at a considerable discount.

At writing, shares go for just 10.29 times trailing earnings. With a huge 2.8% dividend yield (huge versus the stock's historical norms), I find Canadian Tire to be a deep-value play that can help your portfolio gain a leg up on the broader TSX. E-commerce efforts have been going smoothly, but it's brick and mortar in a post-COVID economy that will really help the Canadian icon really shine and move on from its latest slump.

My takeaway? The \$11.8 billion retail icon is too cheap to ignore, given its strengths.

Intact Financial

Intact Financial recently spiked to a new all-time high. Indeed, the property and casualty insurer makes a strong case for why it's the best insurance play in Canada and maybe even North America. Intact is incredibly well run, and its managers are worth paying up for. Up over 13% year to date, it's clear that Intact is ready to take its rally to the next level, even if it means leaving its peers behind.

The company clocked in terrific fourth-quarter results. With rates poised to rise, Intact is a stock that can get even cheaper, as it continues rallying thanks to its earnings growth profile and macro tailwinds. Even after a huge upside move, shares go for 16.4 times trailing earnings. The 2% yield is just a cherry on top of a fully loaded sundae. I think it's time to buy, even at these heights.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:IFC (Intact Financial Corporation)

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