



2 Oversold Stocks to Buy for a Second-Quarter Relief Rally

Description

The crisis going on in Ukraine is truly horrific, with cease-fire talks going nowhere so far. Indeed, things could easily get worse before they get better, with U.S. President Joe Biden warning of a potential escalation. Although things could not be more uncertain at this juncture, I still think that panicking is never a good idea. Further cease-fire talks could have greater success, and in such a scenario, broader stock markets could be in for a considerable [relief](#) rally.

Indeed, the **S&P 500** finds itself down more than 12% from its high, with the **Nasdaq 100** attempting to recover from a bear market (that's a 20% drop). Has most of the damage already been put in? We'll never know this, but for long-term investors who seek to build wealth over the next 15 years, rather than the next 15 months, I'd argue that now is not the time to shift off course with your investments. There's a lot of pain baked in, and it probably won't take a best-case scenario to move the needle higher in what's been a brutal start to the year.

In this piece, we'll have a closer look at two oversold TSX stocks that seem overdue for a bounce-back after a rough start to 2022.

TD Bank

First up, we have more of a risk-off play, with **TD Bank** ([TSX:TD](#))([NYSE:TD](#)), which fell into a correction in recent weeks following news of its acquisition of First Horizon Bank. Indeed, many Canadian bank stocks have seen their rallies cut short this year. But TD stock has arguably taken the biggest hit and for no very good reason. With rates still poised to rise in the face of profound geopolitical turmoil, the net interest margin expansion boost is not going anywhere. Some may perceive TD's acquisition as on the pricey side.

It will cost the bank a considerable sum to integrate as well. That said, I do think that over the long term that First Horizon purchase will prove genius, a deal that could allow TD to outpace its Big Six rivals over the next decade. Over the medium term, the deal is less exciting, but it's the long-term potential behind the bank that has me so bullish.

My takeaway?

The recent correction opens up a compelling entry point for one of the most intriguing banks in North America. The 3.63% yield is bountiful, and the correction, I believe, was undeserved.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) went from [growth darling](#) and top component of your run-of-the-mill Canadian mutual fund to a falling knife. The stock has now shed over 68% of its value and counting! Although shares remain uncomfortably pricey at north of 15 times sales, I do think the selling has been overdone.

Is Shopify still the innovative firm it was a few months ago?

Arguably, it's even further along with its innovations. The platform is still best-in-breed. Still, investors don't like the stock anymore because of macro trends. But could it be that SHOP stock has a magnitude of revenue growth that could justify its current price-to-sales multiple? Though trends could wane on growth, Shopify still has plenty of gas left in the tank as management pursues new initiatives.

If you're sticking with it for the next 10 years or more, I would view Shopify stock at \$690 and change as more of an opportunity than a signal that the stock has entered "no man's land."

Shopify has had the wind to its back for a long time. Now, it will have to swim against the tides. I think it'll be just fine going against it, but investors seem to have other thoughts. In any case, I'd average down to temper volatility that's unlikely to subside overnight.

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Date

2025/07/22

Date Created

2022/03/14

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