Beginner Investors: 2 Deep-Value Stocks to Watch This Week

Description

It hasn't been the kindest environment for beginner investors, with all the rate-induced volatility and inflation. With yield curve inversions inspiring many to brace themselves for an imminent recession, it seems like a smart idea to just wait for the dust to settle before dipping a toe into the equity markets.

Undoubtedly, there are a lot of things to worry about, and the list could grow going into the latter half of the year. Still, investors must realize that stock markets are forward-looking. They tend to plunge before the recession kicks in. And with a 20% drop already behind the Nasdaq 100, one has to wonder just how much damage the indices must take before they can move on.

In any case, beginner investors should insist on value stocks rather than reaching for the fastest fallers within the tech sector. Nobody knows when inflation or rates will peak. Until they do, tech could continue to face the wrath of Mr. Market in a continuation of the vicious valuation reset that could see price-to-sales (P/S) multiples really contract.

Beginner investors: Value stocks could stay resilient

Indeed, many high-tech stocks have seen their pie-in-the-sky P/S multiples get chopped down. **Shopify** is one of the tech titans that used to go for north of 40 times sales. Now, it's going for just shy of 16 times sales. Whether that's a deal, though, depends on where rates will normalize.

With sights set on 3% for the 10-year note, SHOP stock could easily see its P/S ratio fall to the single digits. And if a recession is in the cards, the P/S ratio could contract, and the rate-induced multiple compression could become that much more painful. As such, Shopify stock remains a risk-on play for only the most venturesome of investors, not for those who are already overweight in technology stocks.

In this piece, we'll look at two growth stocks with value multiples. Consider **Leon's Furniture** (TSX:LNF) and **National Bank of Canada** (TSX:NA), two great dividend stocks with single-digit price-to-earnings (P/E) multiples at writing.

Leon's Furniture

Leon's Furniture is a furnishings retail play behind The Brick and Leon's banners. The stock has gotten off to a rocky start and is now down just shy of 16% year to date. The $1.4 billion company continues to do relatively well. Still, as investors weigh the risk of recession, it's not a mystery as to why a durable goods retailer like Leon's would be in a spot to correct.

After the latest slide, LNF stock trades at 7.9 times trailing earnings alongside a 3.1% dividend yield, making it one of the cheapest dividend stocks on the **TSX Index**. Leon's is a more than 100-year-old company, but it's one with staying power. Recession or not, LNF stock is a name to watch as recession jitters grow out of control in the coming months.

National Bank of Canada

National Bank of Canada is a respected member of the Big Six banking basket. But sometimes, the number-six player gets overshadowed by its much bigger brothers in the Canadian banking scene. Coming off a questionable quarter, NA stock is now in a correction, down over 10% from its recent high of around $105 per share. With a mere 9.9 times trailing earnings multiple and a 3.7% dividend yield, NA stock is one of the cheapest ways to get your banking exposure.

The small bank may have a mere $31.6 billion market cap, but it's capable of disrupting its peers. Just look to the firm's bold move to do away with trading commissions. It's a major step in the right direction, and as the bank gets back on track, I think it'll be hard to justify the huge discount on shares.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:NA (National Bank of Canada)

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