



Beginners: 2 Bargain-Basement Stocks I'd Buy Now

Description

Beginner investors have reason to be a bit rattled amid the recent market selloff. The pullback has dragged on for far longer than expected, with markets that have been stuck in a [rut](#) all year. Yes, 2022 has been a horrid year. But will it stay that way? Ultimately, this depends on the U.S. Federal Reserve. The fear is that they'll hike interest rates until we're sent into a recession.

If inflation gets too hot, the Fed could even keep hiking once a recession is in and employment begins to fade. Balancing employment and inflation is no easy task.

Sometimes, you just can't have both at the same time. Although it would be nice to have a soft landing, with no recession and tempered inflation, nobody knows just what we're in for. As you know, there's nothing markets hate more than uncertainty, especially if you throw in the word *recession*. With the inverted yield curve and market moves that seem to price in some chance of a recession, investors may wish to start taking a contrarian view for a change.

There are great businesses out there that can still do well over the long run. First, acknowledge you probably won't catch the bottom in a value stock you're looking at. Then have a game plan for how you'll react to a further drop. If shares fall, you should have cash on the sidelines to buy more shares! That's the beauty of dollar-cost averaging (DCA). It takes market timing out of the equation and can help you achieve a better cost basis in a bear market (if we are in one).

Spin Master ([TSX:TOY](#)) and **Canadian Tire** ([TSX:CTC.A](#)) are two beloved stocks that I view as a bargain, even if the economy is headed for a downturn.

Spin Master

Spin Master is a toymaker that's down around 14% from its 52-week high. Amid its choppy consolidation channel between \$40-50, the stock has steadily become cheaper! Today, the \$4.5 billion company trades at 14.5 times trailing earnings. That's not bad when you consider the continued innovations (just look to digital games growth!), the roster of strong brands, and the incredibly sound balance sheet.

Amid rising rates, Spin's balance sheet is a thing of beauty. With a strong track record of M&A, Spin Master could easily gobble up the next big toy firm as the going gets tough.

In any case, there's not a lot baked into shares of Spin here. Though discretionary companies don't do great in recessions, it's worth noting that the stock is still below its pre-pandemic all-time high, just shy of \$60 per share.

While nobody knows when the tailspin will end, I think the valuation is starting to get a bit ridiculous. My takeaway? I'd buy half a position today and half should shares tumble to \$30 per share.

Canadian Tire

Canadian Tire is an iconic retailer that investors should not discount. Since recovering from the COVID crash, shares have steadily peaked at just over \$200 per share, gradually [stumbling](#) to \$171 and change per share — where the stock sits today.

With a bountiful 3.1% dividend yield and a mere 9.3 times trailing earnings multiple, Canadian Tire stock seems to be the epitome of deep value. While the Tire could be deflated further from retreating demand, I still think the long-term prospects have never been better. Triangle loyalty and a growing number of exclusive brands make the Canadian retailer one that has staying power.

The \$11.1 billion retailer could prove choppy moving forward. I'd look to just nibble today, but add should the stock fumbled to \$150 per share — a level that'd put the yield closer to 3.5%.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:TOY (Spin Master)

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