5 Stocks to Buy in June 2022

Description

Stepping into mid-2022, you are at the crossroads of seasonality. In a normal economic environment, I would have suggested buying seasonal stocks. But the looming recession, the Russia-Ukraine war, and rising interest rates have slowed the pandemic recovery.

There are a lot of hopes tied to the second half of the year. The cold winters could drive demand for heating and electricity, irrespective of energy prices. The semiconductor supply crunch could ease slightly, driving electric vehicle (EV) supply. The supply chain could start its gradual recovery towards the end of the year.

Five stocks to buy in the current market

The current market environment is a value investors' nirvana, as uncertainty around the near-term future has made some good growth stocks undervalued. Here are five such undervalued stocks:

- **Canadian Utilities** (TSX:CU)
- **Kinaxis** (TSX:KXS)
- **Magna International** (TSX:MG)(NYSE:MGA)
- **BlackBerry** (TSX:BB)(NYSE:BB)
- **SmartCentres REIT** (TSX:SRU.UN)

Canadian Utilities

It goes without saying why Canadian Utilities is my pick for the second half. It's a seasonal stock that surged in May because of the rising oil and gas prices. The last five years have been volatile, but the stock continued its seasonal growth in the June to January period.

The company generates and distributes electricity and has natural gas pipelines in Alberta and other provinces. The stock can act as a hedge against recession, as energy demand won't dry up, whatever the price. While you pay your electricity and heating bill, Canadian Utilities will pay you a 4.46%

dividend yield.

Kinaxis stock

It's been a while since I wrote about Kinaxis, which offers supply chain planning software that competes with **Descartes Systems**. Kinaxis has secured some big customers that have pushed its revenue up 70% in the first quarter. First, the pandemic disrupted the supply chain, and now the war is doing so. But it is these crises that call for efficient supply chain-planning solutions. The impact of new customer wins takes time to reflect in the earnings and the stock price.

Kinaxis is facing the heat of the Russia-Ukraine war, but the pandemic recovery is mitigating the impact. The company is guiding a 58% revenue growth in fiscal 2022. The stock is trading at 10.7 times its sales per share, which seems reasonable compared to Descartes's 12.1. As holiday sales pick up, so will Kinaxis's revenue. But a prolonged recession could delay the stock's rally. As the company-specific positives outweigh the macro negative, it is a stock worth buying.

Magna and BlackBerry stocks

I have one word for these two stocks: *EVs*. Several short-term headwinds delayed the EV momentum: first was the pandemic, then the chip supply shortage, and now rising commodity and energy prices. But these economic emergencies did not change government support for EVs.

Many automakers and tech companies have invested billions of dollars to develop EVs, and the first batch is due for launch in late 2022. You can't say which company's car will get the lion's share of the EV boom. But each EV, irrespective of the company, will use chips and other components. Magna and BlackBerry are tapping that opportunity with their auto components and Advanced Driver Assistance Systems (ADAS) solutions. They are working in collaboration on integrated ADAS solutions.

The time is ripe to buy BlackBerry and Magna stocks while they trade at heavy discounts. The pandemic has eased, and the chip supply shortage could see some relief. Once the EV momentum picks up, the two stocks could jump 50-100%. All you have to do is wait.

SmartCentres REIT

Completing your June buy is a dividend stock that can act as a hedge if the recession intensifies. As the Canadian landlord of the world's largest superstore chain **Walmart**, SmartCentres REIT is my pick for passive income. The REIT has retail properties in prime locations like Greater Toronto that fetch a high rental income. As a REIT distributes a major portion of its rental income to investors, it has a high distribution yield of over 6%.

SmartCentres has been developing residential and commercial properties around its retail stores to enhance the property value and get higher rent. Even if the recession affects the real estate sector, Walmart-anchored stores could mitigate the REIT's downside.

The above five stocks can balance risk and reward and help your portfolio outperform the market.

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1. NYSE:BB (BlackBerry)
2. NYSE:MGA (Magna International Inc.)
3. TSX:BB (BlackBerry)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:KXS (Kinaxis Inc.)
6. TSX:MG (Magna International Inc.)
7. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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