2 TSX Stocks That Have Your Back in a Bear Market

Description

As the market selloff enters its latter innings, bargain hunters should be licking their chops, ready to scoop up a bargain. There are many great deals in the markets these days.

Though there's a lot going wrong at the macro level, investors should focus on valuing individual companies with a 10-year horizon or more. Will what's troubling stocks now still be causing a panic in 10 or 20 years from now? Probably not.

That's why it's a good idea to hold your nose and buy something on your radar if you would have had this market not been stumbling. Eventually, it will find its footing. And many startled investors will have to buy back at higher prices, perhaps much higher prices, after the market rebounds.

In this piece, we'll look at two value plays worth buying amid a bear market.

Leon's Furniture

Leon's Furniture (TSX:LNF) is an iconic Canadian furnishings retailer that's been hammered in anticipation of an economic slowdown. In fact, a high chance of a recession may be baked into the discretionary firm despite its past few years of resilience. Big-ticket items like couches and sectionals just aren't hot buys when times are tough and we slip into a recession.

Like most other firms, Leon's has had to endure inflationary challenges. As the economy goes downhill, the firm may find it hard to pass on prices to consumers without suffering from a further slump in sales.

All of the negatives I just mentioned are real, but most are baked into the stock. Today, shares go for 6.3 times trailing earnings. That's bracing for some pretty substantial slow in earnings! The stock is down just shy of 40% from its high, which seems just overblown and fear driven.

Millennials are eager to buy homes and start families. With that, they'll need furnishings. This phenomenon could power robust demand for many years. And Leon's will likely enjoy the secular tailwind once the recession bottoms out and a new bull is born.

How does Leon's have your back in a bear market? It's a discretionary stock, isn't it — one that could suffer from a sales evaporation?

Sure, but the valuation is just so incredibly depressed. Further, we may not even get a recession. I believe Canada will not fall into a recession, even if the U.S. does in 2023 or 2024. Thanks to strong commodities, Canada has been stronger during this market downturn. And I expect it will hold up, even as rate hikes curb inflation.

Finally, there's a 4.1% yield that's just too good to pass up.

IA Financial

IA Financial (TSX:IAG) is another dividend stock that looks way too oversold for its own good. The wealth manager and insurer is down more than 25% from its high.

The stock yields 3.96%, with an 8.4 times trailing earnings multiple. That's a cheap way to get strong passive income. As a more domestic insurance play than its Canadian peers, I'd argue that IA is oversold and likelier to bounce once the rate-induced economic weakness proves mild, perhaps so mild that no recession happens.

At the end of the day, IA is a wonderful insurer that was built to last through tough times. Further, higher rates are not something that insurers dread. If we get higher rates and no recession, IA and its peers could be in for quite a recovery. As such, I would not hesitate to scoop up shares before the dividend yield normalizes towards the lower 3% range as a result of share price appreciation.

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2. TSX:LNF (Leon's Furniture Limited)

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