3 UNDERVALUED TSX Stocks to Buy Amid the Market Correction

Description

Markets have fallen significantly this year, and no one knows when the recovery will start. However, investors should be wary of the valuations. Not all corrected stocks are buys. Remember, a stock that has fallen 80% can still go down by another 80%! Here are three TSX stocks that look attractive from a valuation perspective.

Even if they are trading at a reasonably fair multiple, that does not mean they are not prone to further downside. Broad market weakness could still push them lower. However, these names could relatively outperform in the long term as well.

B2Gold

When broader markets fall, investors take shelter in safe havens like gold and gold miner stocks. However, gold stocks were also under pressure since Q2 2022 amid rising Treasury yields. As a result, Canadian miner stock **B2Gold** (TSX:BTO)(NYSE:BTG) has dropped by 25% in the last three months, which is in line with its peers.

Gold could again take the limelight going forward if recession rhetoric gains pace. Once the Fed reaches its predetermined levels of benchmark interest rates, Treasury yields will likely normalize. Gold and gold miner stocks could change the course then.

B2Gold operates three high-quality mines in West Africa and aims to produce a million ounces of gold this year. It has seen a striking production growth and improvement in operational efficiency since 2013.

BTO stock was one of the top performers among peers in the last decade. Currently, it is trading 10 times earnings and looks undervalued. An encouraging move in the yellow metal could send BTO stock to its recent highs.

Tourmaline Oil

Though TSX energy stocks tumbled last week, it could be an opportunity for discerned investors. As a result, I see **Tourmaline Oil** (TSX:TOU) as an appealing bet in the current scenario.

Tourmaline Oil is Canada's largest natural gas producer and has seen substantial financial growth since the pandemic. As a result, the stock has returned 75% so far this year. Despite such a steep gain, the stock is currently trading 11 times its earnings. With strong earnings growth potential and generous dividends, such a valuation multiple looks highly discounted.

Apart from the financial growth, its strengthening balance sheet and multiple special dividends highlight the management's confidence in its earnings growth and visibility.

Natural gas prices also corrected last week amid the weaker global growth outlook. However, note that they are still significantly higher than last year. So, Tourmaline will likely witness another solid quarterly performance when it reports Q2 2022 earnings.

Dollarama

While the **TSX Composite Index** has fallen 10% this year, Canada's discount retailer **Dollarama** (TSX:DOL) stock has gained 15%. Its outperformance is indeed noteworthy, especially in such tumultuous markets.

Interestingly, despite the recent rally, DOL stock is still trading 30 times its earnings, close to its average historical valuation. The fair valuation indicates that the stock could continue to soar higher, as investors shift to less-volatile, outperforming names.

Even if markets and the broader economy turn ugly from here, Dollarama could continue to outperform. That's because its earnings keep growing steadily in almost all environments. Plus, its unique value proposition becomes all the more appreciated in inflationary environments, notably contributing to its financial growth.

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2. Stocks for Beginners

TICKERS GLOBAL

1. NYSEMKT:BTG (B2Gold Corp.)
2. TSX:BTO (B2Gold Corp.)
3. TSX:DOL (Dollarama Inc.)
4. TSX:TOU (Tourmaline Oil Corp.)

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Date
2025/07/19
Date Created
2022/06/20
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