Buy the Dip? 2 Stocks That Got Unfairly Punished

Description

The Canadian stock market has not been in the best state for the last few weeks. Most investors have been staying away from growth stocks due to the heightened risk those assets pose during uncertain market environments.

The recent-most interest rate hike by central banks in Canada and the U.S. to control red-hot inflation rates sparked a selloff that saw even the most resilient sectors lose steam on the **TSX**.

The S&P/TSX Composite Index is down by 13.30% from its 52-week high at writing. The Canadian benchmark index slipped, as the energy sector lost the momentum it generated last year after the post-pandemic energy boom. The market selloff saw several high-quality stocks go through a downward correction.

Many investors look at it as a sign to look elsewhere to protect their investment capital. Savvier investors recognize these harsh economic environments as an opportunity to invest in shares of high-quality publicly traded companies at a discount. It is important to do your due research to find undervalued stocks with the potential to post a strong recovery when the situation stabilizes.

Today, I will discuss two such stocks that you should have on your radar for this purpose.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a $96.66 billion market capitalization Canadian multinational company that is one of the world's largest alternative investment management companies. Brookfield Asset Management has become a global leader in renewables, real estate, infrastructure, and private equity investments, delivering stellar returns to its shareholders.

Brookfield Asset Management trades for $58.90 per share at writing, and it boasts a 1.21% dividend yield at current levels. The stock is down by 25.48% from its 52-week high. It has a track record of 25 years of delivering 15% average returns each year.

The company's contrarian investment approach has been successful for a long time. It appears well positioned to do the same during the current downturn by investing in cheap assets, fixing them up, and reaping the cash flows as they recover. It could be an attractive investment to consider at current levels.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is a $176.86 billion market capitalization giant in the Canadian banking industry. The largest Canadian bank by market cap and deposits, RBC stock has long been a staple holding in many long-term investment portfolios.

It has a track record for being able to weather harsh economic environments. It has more than what it needs to ride out the wave of the ongoing bear market.

RBC stock trades for $124.77 per share at writing and boasts a 4.10% dividend yield. It is down by 16.59% from its 52-week high due to the ongoing weakness in the broader market. The well-capitalized Canadian financial institution appears to be attractive at such discounted levels.

Foolish takeaway

Market corrections are something many investors fear. Corrections can devastate investor wealth, but they present an opportunity to those who can keep a level head and identify high-quality stocks trading for a discount compared to their intrinsic values. Many stocks are sold off justly during these corrections, but there are oversold stocks that fall victim to the broader market decline.

Investing in shares of oversold companies with the potential to deliver stellar shareholder returns, in the long run, can help you enjoy significant wealth growth. Brookfield Asset Management stock and Royal Bank of Canada stock are two such assets you could consider for this purpose.

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3. TSX:BN (Brookfield)
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