Value Investors: These 3 TSX Stocks Are a Steal in July 2022

Description

Value investors are in for a treat. Although the interrelationships and impacts of a list of macro drivers are complex, value investors only have to focus on buying quality assets at undervalued prices. The current market correction is providing these buying opportunities already.

A value retailer stock

Canadian Tire (TSX:CTC.A) has an umbrella of brands providing differentiated products, including car parts, garage storage, garden tools, outdoor power equipment, casual and work clothing, apparel and equipment for sports and outdoors, and party essentials.

What's reassuring is that its earnings appear to be recession resilient. It also generates a meaningful portion of sales online, which gives customers a convenient option in an increasingly digital-centric world.

At $166.39 per share, the dividend stock trades at about 8.7 times earnings, which is a substantial discount of about 33% from its normal long-term valuation. The Canadian Dividend Aristocrat recently raised its dividend by 25%, boosting its yield to about 3.9%, which is attractive for income. Its trailing-12-month (TTM) payout ratio is sustainable at 24% of earnings.

This precious metals stock is undervalued

If you're worried about high inflation, you might consider a precious metals stock like **Wheaton Precious Metals** (TSX:WPM)(NYSE:WPM). It is a precious metals streaming company, which means it doesn't operate any mines. Therefore, its costs are relatively low and predictable compared to precious metals miners. Wheaton Precious Metals is consequently also a high-margin business. Its TTM net margin is 63%.

Essentially, it primarily partners with quality mines by purchasing by-product precious metals or cobalt production from them. It would pay an upfront payment and an additional payment when the metal is delivered.

Notably, the company has a strong balance sheet with essentially no debt. So, it would do very well should precious metal prices head higher. According to Yahoo Finance, 15 analysts have a 12-month consensus price target that suggests the undervalued stock is discounted by over 35%. The stock also yields about 1.6% that adds to total returns.

Another cheap stock to check out

Big Canadian bank stocks are great core holdings for a diversified investment portfolio. They're declining along with the market correction, as concerns deepen about the potential of a recession. Investors should take advantage of the correction by systematically building positions in quality stocks like **Bank of Montreal** (TSX:BMO)(NYSE:BMO).

The stable bank last reported a common equity tier-one ratio of 16%. In the long run, its earnings have been rising. Its 10-year earnings-per-share growth rate is approximately 9.4%. Its 10-year dividend-growth rate is about 6.9%.

The undervalued bank stock trades at a discount of about 19% from the 12-month consensus price target. And it provides a decent dividend yield of close to 4.5%.

The Foolish investor takeaway

Stocks are meant for long-term investing. Although all three **TSX** stocks are undervalued, the volatile market can continue to weigh on their shares over the near term. In the long run, you can expect price appreciation across the diversified group of stocks. In the meantime, investors can also get generous dividend income from Canadian Tire and BMO stock.

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2. NYSE:WPM (Wheaton Precious Metals Corp.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CTC.A (Canadian Tire Corporation, Limited)
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