3 Top TSX Stocks to Buy as Valuations Come Down

Description

Amid strong global demand coming out of this pandemic, inflation around the world has begun to pick up. In a bid to battle this inflation, central banks everywhere are tightening monetary policy. For stocks and other assets, this has translated into lower valuations.

Unfortunately for Canadian investors, TSX stocks haven't been exempt from this re-valuation. And while earnings per share for TSX-listed stocks have increased by more than 20% over the past three years, it's clear that earnings estimates are quickly getting revised lower.

That said, there are a number of companies I think are worth looking at in this environment. Indeed, picking up value stocks is a great way to build long-term wealth.

Let's dive in.

Top TSX stocks to buy: Cenovus

Let's start with the oil patch, shall we?

Cenovus (TSX:CVE)(NYSE:CVE) is one of Canada's top producers and one of the top players in North America, for that matter. This company is well integrated, creating value along its supply chain. Amid the segments operated by Cenovus are conventional oil production, oil sands, refining & marketing, as well as other operations.

Given the impressive move we've seen of late in oil prices, Cenovus has been a key beneficiary. Should energy prices remain elevated, Cenovus's cash flows and earnings prospects may not be outlandish. Trading at 23 times trailing earnings, Cenovus is a company that's certainly a defensive option for long-term investors to consider in this environment.

Restaurant Brands

Restaurant Brands (TSX:QSR)(NYSE:QSR) is a company I've been pounding the table on for a long time. However, like many top TSX stocks, Restaurant Brands made a new 52-week low last month.

I didn't see this coming. After all, Restaurant Brands operates high quality banners such as Burger King, Tim Hortons, Popeyes Louisiana Kitchen, and Firehouse subs. In times of economic distress, lower-priced restaurant options are often the go-to for consumers. Accordingly, I view this stock as very defensive from a cash flow perspective.

Right now, investors can pick up Restaurant Brands stock for less than 19 times trailing earnings. If I'm right, and business continues to grow in a slow and steady fashion, this is a stock that may turn out to be very cheap at these levels.

Killam Apartment REIT

Last but not least, we have **Killam Apartment REIT** (TSX:KMP.UN). Killam is one of the top options for investors looking to put their money to work in real assets. That's because this REIT is focused on residential and mixed-use properties. These properties have had very solid occupancy rates and rental growth over time.

I expect these trends to continue. And while higher interest rates are likely to hurt REITs overall, investors will still seek out these vehicles for the capital appreciation they provide over time.

Currently, Killam trades at a rock-bottom valuation of less than six times trailing earnings. Additionally, this stock carries with it a dividend yield of 4.1%. That's still better than bonds, with an excellent long-term outlook. Accordingly, this is a company worth considering right now.

CATEGORY

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2. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:KMP.UN (Killam Apartment REIT)
5. TSX:QSR (Restaurant Brands International Inc.)

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Date
2025/08/15
Date Created
2022/07/05
Author
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