



2 Stocks I'd Buy for an RRSP as the Market Rallies

Description

Though some bearish folks will dismiss the market rally as just another bull trap, I'd argue that some solid earnings support the recent strength. Indeed, stocks have suffered from a bad case of indigestion for most of the year. A looming recession induced by front-loaded rate hikes (the Bank of Canada's latest hike was an upside shocker of 100 bps) may very well be in the cards, but don't expect a repeat of the 2020 stock market crash.

As the market slowly finds its footing again, I'd look to nibble away at the stocks on your radar that still stand out as decent values. In this piece, we'll check out two intriguing stocks that may be able to sustain their strength going into year-end.

So, without further ado, consider pet supply retailer **Pet Valu Holdings** ([TSX:PET](#)) and toymaker **Spin Master** ([TSX:TOY](#)).

Pet Valu Holdings

Pet Valu is a relative newcomer on the TSX Index, with shares going public just over a year ago. The stock was a winner out of the gate, rallying from \$26 per share in June 2021 to a peak of \$36 and change per share. The stock plunged into a bear market before posting a partial recovery to around \$33 — where the name currently sits today.

At 20.2 times price-to-earnings (P/E), Pet Valu stock is by no means a cheap retailer, with the specialty retail industry average P/E ratio of just 16.9. That said, Pet Valu deserves to trade at a premium to its peer group. Pet supplies and services tend to be more resilient in the face of an economic slowdown. Further, Pet Valu is a very well-run company with efficient operations. The firm's 32% return on investment (ROI) is much higher than the industry average of 20.8%.

The humanization-of-pets trend (the pet care market could find itself worth around US\$325 billion in under six years) also can power the stock much higher over the long haul. In short, Pet Valu is a hidden gem of a stock with a mere \$2.2 billion market cap and exceptional stewards that could help fuel market-beating gains over the next decade. As the market continues to rally, I'd look for PET stock

to make a move to new highs.

Spin Master

Spin Master is another under-the-radar mid-cap stock that could be on the cusp of a considerable upside move. Shares of the Canadian toymaker have been stuck in a year-long consolidation channel, with shares fluctuating back and forth between \$40-50 per share.

Indeed, Spin may have what it takes to pop like a coiled spring on the back of better-than-feared results going into the fourth and final quarter. The holiday season is up ahead. It's one that could accompany a drastic consumer slowdown, but the bar has been lowered quite a bit.

I think most of the recession risk is baked in, making Spin a worthy stock of nibbling right here following the release of some [underrated](#) Q2 earnings results that saw per-share earnings jump to \$0.68, beating the \$0.48 estimate. At writing, the stock trades at 16.1 times price-to-earnings (P/E). That's much lower than the stock's five-year historical average P/E of 34.4.

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2. TSX:TOY (Spin Master)

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