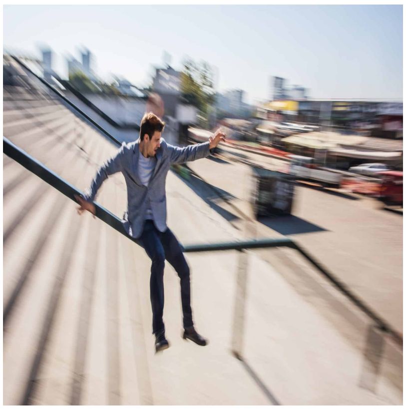

Beginners: 1 Undervalued Canadian Stock to Buy Before a Market Rebound

Description

The first half of 2022 was one of the worst starts for the S&P 500 in around five decades. Still, beginner investors should not fret over the surge in volatility or worry about the recession to come. Indeed, it's a tug of war between the bulls and the bears these days. But that's what makes a market. Instead of buying into any single thesis on where markets are headed over the next six months, I'd much rather focus on grabbing the best of bargains while they exist.

There are two ways to look at the correction and bear market in the first half of the year. Either you can view it as the beginning of something much worse (things aren't as bad as they seem in the heat of the moment), or it could set the stage for an epic market rebound. Nobody knows for sure. However, history suggests the second half of 2022 won't be nearly as bad as the first half. A historically bad first and second half together is quite rare. Further, long-term investors should feel comforted with the better risk/reward scenario that exists today than in the back half of 2021.

Arguably, the biggest speculative bubbles in the market have burst. And with the plethora of concerns now digested by Mr. Market, it wouldn't be too shocking to see this market claw back towards its highs.

As always, there's a deal somewhere on the TSX Index, especially as it climbs back from a correction (that's a 10% drop).

Buying the market correction before the relief bounce

This correction may feel longer and even more painful than the one endured in either 2018 (the Fed put) or 2020 (the coronavirus crash) due to the concentration of pain in those former high-flying tech stocks, many of which now find themselves down well over 50% from their highs. A handful of the more speculative names have now lost north of 80% of their value. Indeed, **Shopify** stock was one of the tech names grouped into the latter group.

In any case, here is one TSX stock that young investors may wish to nibble on before this market heals from its 2022 selloff.

Onex: A hefty discount to book

Onex (TSX:ONEX) is a diversified investment manager that's starting to become incredibly cheap from a historical perspective. The company, which is behind WestJet Airlines and other well-run businesses, manages nearly US$50 billion worth of assets.

The stock trades at 4.1 times price to earnings (P/E) (well below the five-year historical average P/E of 7.5), implying a recession and the current slate of headwinds will continue to weigh on earnings results moving forward.

Understandably, COVID took a big hit out of Onex stock. Shares eventually recovered before imploding again. Today, the stock is near the highs of 2020. Given we've got more clarity than during the lockdowns of 2020, I'd argue Onex is a great contrarian buy for those seeking a catch-up trade to play this market rally.

At writing, the stock trades at 0.55 times price-to-book (P/B), which is well below the five-year average P/B of 1.5. Indeed, investors who jump into the name here are getting a nearly 50% discount to book value. That's an unbelievable deal that I believe many Canadian investors are sleeping on.

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