Cheap TSX Stock (With a Swelling Dividend) to Buy in September 2022

Description

After a brutal end to August, the stage seems set for a September to remember. Undoubtedly, the autumn season is a spooky one for investors, with many prior market sell-offs being sparked by September volatility. While the markets have been quite the drag through most of the year, I don't think investors should ditch stocks ahead of a period of seasonal weakness.

Many investors have tried to get a leg up over others, with some opting to do their selling or trimming in August. As markets pullback around 8% off their recent August highs, there's a chance that September and the fourth quarter could be a heck of a lot more generous than expected.

If you flinched during the June swoon, you likely missed out on the ensuing rally. I think the same goes for this plunge. As the market has one more cathartic shudder over the central bank's annual symposium in Jackson Hole and braces for aggressive rate hikes to come, stocks may finally begin to hit their stride as third-quarter earnings roll in. The second quarter results have been mixed, but far better than feared.

As supply chain woes ease, and the last of the pandemic and inflationary headwinds pass, I would not be surprised if the third quarter ends up being even better than expected. Undoubtedly, individual companies have been hard at work preparing for the pain to come and the recession that could strike as soon as in a few months.

For new investors, one must remember that markets are forward-looking. They tend to signal recessions, not the other way around. Right now, a recession seems more than baked in, with high-quality **TSX** stocks offering dividends that may be too cheap to pass up.

Currently, I'm a huge fan of **iA Financial** (TSX:IAG) while it's dragging its feet.

iA Financial

iA Financial is a well-run insurance and wealth manager whose shares are down more than 17% from their highs. At $69 and change per share, iA Financial boasts a healthy 3.9% dividend yield alongside a modest 9.45 times trailing price-to-earnings (P/E) multiple. With flat returns over the past year, IAG stock has been a tough hold. Though its financials have been feeling the market swings, I do view IAG as one of the best insurance plays to hold through a mild economic recession.

Insurance can be a fickle business when times get tough. Making matters worse, the cost of living has made it difficult to justify purchasing “must-have” insurance products. The combination of inflation and a looming downturn could weigh heavily on IAG. However, a more conservative mix than its peers and a sustainable payout ratio of 31.8% strongly positions IAG to power through a turbulent 2023 better than most.

In prior pieces, I touted management’s cautious nature as a reason to choose this stock over other insurers for all market “seasons.” The company adheres to a prudent investment policy, sound capital management, and a strong risk management culture.

As of this writing, the stock goes for 0.4 times price-to-sales (P/S) and 1.2 times price-to-book (P/B), both of which are well below industry averages. This may be a good time for investors to ease in over the coming weeks.

CATEGORY

1. Investing

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1. TSX:IAG (iA Financial Corporation Inc.)

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