2 Undervalued Stocks Worth a Buy Right Now

Description

The search for value in the stock market is always on. Indeed, finding undervalued stocks can provide the kind of outsized long-term growth investors are looking for. That's because it's generally true that value stocks outperform growth stocks in the long run.

Of course, the past decade has been much more favourable to growth investors than value investors. Many think that trends will revert back to growth outperforming value at some point. However, in this market of rising interest rates, value stocks are coming back into favour with the market. Accordingly, the search for top growth stocks to buy now is on.

Here are two of my top picks in this regard for investors with a long-term investing time horizon.

Top undervalued stocks: Manulife

Manulife (TSX:MFC)(NYSE:MFC) is a global insurance and financial services provider headquartered in Toronto. This insurance behemoth has more than 33 million clients all over the globe, providing investors with much-needed economies of scale in this sector.

Indeed, with more than $1.4 trillion in assets under management, Manulife is Canada's most prominent insurance policy provider. That said, despite the company's size, investors don't appear to be very bullish about Manulife's prospects moving forward.

This sentiment is reflected in Manulife's very low valuation. Trading at less than six times earnings, Manulife stock is a value option in a value sector. Indeed, given the company's impressive stability and resurgence from the pandemic, I would have thought this company would have seen more valuation expansion. Alas, this is the market we're in.

Manulife has beat earnings estimates this past quarter (albeit marginally). Accordingly, for those who think this trend can continue, Manulife's valuation will undoubtedly become too attractive to ignore at some point. Whether we're there or not can be debated. However, I think the risk/reward scenario with this stock is attractive right now.

Parex Resources

Parex Resources (TSX:PXT) is another company with a rock-bottom valuation. Currently, shares of this sustainable oil and gas producer trade at only four times earnings. Indeed, given how commodity prices have performed of late, this is a valuation that simply doesn't make sense — at least, not to me.

The company's yield of around 5% is as juicy as its upside at these levels. Should energy prices remain high (which many experts expect will be the case at least through next year), Parex's cash flows should continue to remain elevated. This will allow the company to bolster its balance sheet and return even more capital to shareholders.

Now, the energy sector is a fickle one. We saw what happened during previous recessions, and there are worries that energy prices are unsustainably high. Fair enough.

However, those with a medium-term outlook on the market may want to consider Parex. This is a company that's leveraged to the oil and gas trade. As a market hedge, a play on oil, or a pure play on value, there's a lot to like about Parex right now.

CATEGORY

1. Dividend Stocks
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3. TSX:PXT (PAREX RESOURCES INC)

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