3 Must-Buy Value Stocks Amid High Inflation

Description

The Bank of Canada has raised its benchmark rate five times already but many expect two more hikes before 2022 is over. Meanwhile, given the uncertain conditions, market analysts believe value should take precedence if you're investing in stocks.

Right now, you can capitalize on the lower valuations of **National Bank of Canada** (TSX:NA), **Jamieson Wellness** (TSX:JWEL), and **Tamarack Valley Energy** (TSX:TVE). The three TSX stocks are buying opportunities amid high inflation.

Recession is not a base case

National Bank of Canada reported lower net income in Q2 fiscal 2022 versus Q3 fiscal 2023, although it was a meager 2% drop to $826 million. Management said all business segments delivered solid performances during the quarter but offset by higher provisions for credit losses (PCLs).

The CEO of the $30.8 billion bank, Laurent Ferreira, said the boost in PCL stems from the persistent slowdown in economic growth, but not necessarily a recession. He adds, "Although the probability of a recession has increased over the past few weeks, it is not our base case."

Ferreira further said, "Our economics team is currently calling for a soft landing of the Canadian economy." If you're an income investor, you shouldn't need to worry about the depressed stock price and the bank's ability to sustain dividend payments. At $91.58 per share (-3.12% year-to-date), Canada's fifth-largest bank pays an attractive 4.24% dividend. Notably, the payout ratio is a low 34.2%.

Strong revenue growth

Jamieson Wellness is trading at a discount year to date. At $36.76 per share, the consumer staples stock is down 7.2%. However, the modest 1.85% dividend yield should compensate while the stock prepares to recover. Market analysts covering the stock have a 12-month average price target of $35 (+23.6% return potential).

The $1.5 billion company offers a portfolio of natural health products that help improve the health and wellness of customers worldwide. Despite the volatile geopolitical and economic environment, management said Jamieson could deliver on its strategic priorities and commitments.

In the first half of 2022, revenue and net earnings increased 3% and 13%, respectively, versus the same period in 2021. The highlight in Q2 2022 was the 161% year-over-year increase in cash from operations to $13.3 million. For the full-year, management anticipates annual revenue growth between 5% and 9% in the base business. Newly acquired Nutrawise should also deliver revenue growth of approximately 16%. This revenue boost represents about 3.5% of Jamieson's forecasted $550–$565 million in fiscal 2022 revenues.

Massive capital gains

Tamarack Valley pays a modest 3.02% dividend, but it could deliver massive capital gains this year. At only $3.98 per share, the trailing one-year price return is 61.6%. Based on market analysts' forecasts, the potential price appreciation in 12 months is 95% ($7.77).

The $1.65 billion oil and gas exploration and production company will generate more free funds flow if the oil price level of US$100 per barrel sustains for the rest of the year. In Q2 2022, cash flow from operations increased 433% year over year to $214.7 million. Because of soaring cash flows, the energy stock increased its monthly cash dividends by 20%.

Higher returns

National Bank, Jamieson Wellness, and Tamarack Valley are undervalued stocks vis-a-vis their growth and earnings potentials. The share prices today are well below their real or intrinsic values. Your overall returns should be boosted higher from both stock dividends and capital appreciation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:JWEL (Jamieson Wellness Inc.)
2. TSX:NA (National Bank of Canada)
3. TSX:TVE (Tamarack Valley Energy Ltd)

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