1 Must-Buy Dividend Stock That's Beyond Cheap

Description

It's been a hailstorm of volatility so far this year. With the Federal Reserve and Bank of Canada ready to raise interest rates further, the magnitude of volatility could continue to mount going into year's end, with the possibility of carrying over into the early part of 2023. Undoubtedly, volatility is a foe of many investors. But it doesn't have to be, especially if you're a do-it-yourself investor with a long-term investment horizon and an eye for value.

This choppy stock market has created many intriguing value opportunities that I believe are worth picking up right here, even as central banks continue to tighten. As long as you stick with the stocks that you know how to value, I think you can stay out of trouble, as the days of easy money come to an end.

Growth stocks with zero in the way of profitability prospects seem to be flying in no man's land. While many such stocks have plunged 50%, 70%, or even more than 90% of their value, it's hard to tell what's cheap and what's a falling knife that could continue to nosedive further. Indeed, many such imploded growth stocks in the tech sector require rates to pullback dramatically over the next few years. If inflation doesn't back down or if the broader economy can hold its own, I'd argue that there's a strong case for central banks to keep rates elevated above pre-pandemic norms, even as inflation plunges toward that sought-after 2% mark.

Simply put, you shouldn't look to catch falling knives. Like it or not, the days of V-shaped bounces seem to be over, especially with the unprofitable tech names that doubled up many times over in late 2020 and 2021.

Instead of speculating on imploded growth stocks, I'd argue that boring, cash flow-generative companies with below-average multiples are perfect ways to make money in this kind of hostile climate.

At writing, I'm a big fan of **Parkland Fuel** (TSX:PKI).

Parkland Fuel: Why I'd load up on the dividend stud now

Parkland Fuel is a convenience retailer that's really fumbled the ball in recent months. Shares are down around 35% from their highs to $31 and change per share. With a dividend yield north of 4% and many key assets poised to recover as fuel prices (fuel prices are not fuel margins) retreat such that more drivers hit the roads, with more cash in hand to spend on merchandise and snacks, Parkland could be in a spot to make a run for prior highs of nearly $50 per share.

Indeed, it'll be a tough road higher. The macro environment has not been kind to the firm. However, I don't think all of the blame should be pointed to the macro. Parkland's rivals have performed well better, thanks in part to prudent practices to dodge and weave past inflation's blow.

At less than 19 times trailing price to earnings, PKI stock seems like an intriguing mid-cap ($5 billion market cap) to consider if you're looking for a relatively defensive play to move through a recession. Further, I think Parkland looks like an enticing takeover target of a behemoth in the space. In any case, I view the stock as too cheap to ignore right here.

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joefrenette