3 Top Value Stocks That are Screaming Buys Right Now

Description

Market volatility may significantly pull your portfolio valuation down, but it also brings rare opportunities. Here are three Canadian gems that are trading below their fair values.

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Fortis

This year's broad market weakness has not spared defensive stocks like utilities. Canada's top utility stock **Fortis** (TSX:FTS)(NYSE:FTS) has been exceptionally weak this year, losing 25% since April. FTS has dropped to its three-year lows and is currently trading at $49.

Utility stocks generally stay resilient when broad markets weaken. However, this year has been different. Aggressive interest rate hikes weighed on them, making them less attractive compared to bonds. Also, FTS lost significant value this year due to its earlier overvaluation.

This may not be the bottom for FTS stock. But the current levels also look appealing, with the stock yielding an attractive 4.7%. It's trading at 21 times its earnings, lower than its historical average.

You can lock in FTS for a decent yield at multi-year lows. It's less volatile than other options and boasts dividend visibility that stands tall, particularly in these uncertain markets. Rate hikes will likely continue to push FTS stock lower in the short-term. But if you're a long-term investor, FTS currently offers a valuable deal.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) stock is currently trading 18% lower than its June highs. It's trading at six times its earnings and offers immense growth prospects.

Thanks to high oil prices and higher production, Suncor earnings skyrocketed this year. It reported a net income of $6.9 billion in the first half of 2022 compared to $1.6 billion in the same period last year. Moreover, Suncor is expected to see massive free cash flow growth in the second half of 2022.

Notably, SU stock does not seem to have baked in this growth yet.

Rapid free cash flow growth will likely accelerate its deleveraging efforts, as we saw in earlier quarters. Plus, this higher-than-expected cash flow growth should make way for a much-awaited dividend boost.

Suncor stock currently yields 4.3%, in line with TSX energy stocks. It has returned 52% since last year. Solid earnings growth prospects and margin expansion will likely create notable shareholder value, at least for the next few quarters.

Royal Bank of Canada

Canada's biggest bank stock, **Royal Bank** (TSX:RY)(NYSE:RY), has declined 20% since early January. While banks could continue to trade weak due to unending macro challenges, current levels look attractive for slowly building your positions in top bank stocks like RY.

Royal Bank stands tall among the Big Six Canadian names when it comes to scale and asset base. It enjoys the first or second-highest domestic market share in almost all product categories. It also has an international presence and recently completed a $2.4 billion acquisition in the U.K. to boost its wealth management operations across this region. Royal Bank derives 60% of total revenues from Canada, while the U.S. adds 24%, and the rest is derived internationally.

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For the nine months that ended July 31, 2022, RY posted a net profit of $11.9 billion, a drop from $12.2 billion in a comparable period last year.

Its relative earnings stability and balance sheet strength make it a strong contender in current markets. It currently yields 4.3%, in line with its peers. Though RY stock is unlikely to recover soon, it looks attractive at these levels.

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