



## 2 Absolute Bargain Stocks to Buy Now and Hold

### Description

Precipitous drops in the stock market have made many stocks attractive. Investors are worried about the economic outlook, geopolitical conflicts, and inflation. But if (or when) these risks clear up, high-quality companies should see their valuations rebound to more reasonable levels.

With that in mind, here are the top three bargain stocks that should be on your buy-and-hold watch list.

### Bargain stock #1

Most oil and gas stocks are arguably undervalued right now. But **Tamarack Valley Energy** ([TSX:TVE](#)) is trading at a discount to its peers. The stock trades at just 5.35 times earnings per share. It also offers a 2.88% dividend yield.

Unlike its peers, Tamarack isn't delivering all its free cash flow back to shareholders. Instead, it recently announced a \$1.4 billion acquisition deal that would expand its production capacity by 60%. Management says this recent acquisition produces crude oil at a breakeven rate of US\$32 per barrel. That's significantly lower than the current market price.

If oil prices remain elevated for the foreseeable future, Tamarack could see a huge boost to free cash flow. Investors could be in for a windfall. The stock is an [absolute bargain](#) and deserves a spot on your watch list for winter 2022.

### Bargain stock #3

**Bank of Montreal** ([TSX:BMO](#)) has taken a significant beating this year. It's down over 14% since January. However, it has started showing signs of bottoming out as sentiments in the banking sector improve with the hiking of interest rates. As one of the Big Six banks in the Canadian economy, the stock has proven its ability to bounce back after a significant pull back.

BMO took advantage of the low interest rate environment at the height of the pandemic to strengthen

its long-term prospects. The bank expanded its footprint through acquisitions and is now letting them grow independently.

The acquisition of the Bank of the West expanded the bank's footprint into the United States. Consequently, BMO should profit from greater diversification and new revenue streams, especially with the hike of interest rates in the U.S.

Pursuing new revenue streams should allow the bank to strengthen its free cash flow generation capabilities needed to sustain its dividend payout. Bank of Montreal is one of the banks that pays a high dividend yield of 4.62%, which is ideal for investors seeking to generate some passive income. The bank has a track record of dividend compound annual growth rate of 7.1%, which makes it a [Dividend Aristocrat](#).

After the 7% year-to-date pullback, the Bank of Montreal is currently trading at a discount with a price-to-earnings multiple of seven. During the past two decades, the stock has grown by a CAGR of 11.7%. The stock could deliver respectable gains if it reverts to its long-term mean trendline.

## CATEGORY

1. Investing
2. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:TVE (Tamarack Valley Energy Ltd)

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