2 Retail Stocks That are too Cheap to Ignore

Description

All year long, we've seen stocks sell off primarily due to an expected slowdown in economic growth. Stocks from all sectors and industries have been impacted, but there's no question that discretionary businesses, such as retail stocks, are now extremely cheap and present some of the best deals on the market.

It's not surprising to see stocks fall in value this year. Inflation is at 40-year highs and is impacting both consumers' ability to buy goods and businesses' ability to maintain their margins.

Furthermore, this surging inflation is causing interest rates to rise, which is also having a negative impact on consumers and businesses alike. Therefore, it's not surprising to see retailers sell off massively as investors are concerned about the loss of consumer buying power.

And while consumption will almost certainly slow over the coming quarters, especially if we enter a recession, there are some high-quality retail stocks that have sold off far too much in this economic environment.

So, if you're looking for incredible bargains to buy today, here are two retail stocks that are far too cheap to ignore.

One of the best Canadian retail stocks that continues to grow earnings yet still trades unbelievably cheap

One of the most impressive growth stocks in the retail space that continues to fire on all cylinders is **Aritzia** (TSX:ATZ). The fact that this retail stock is still cheap and trading off its highs makes it one of the best investments to consider today.

For years, Aritzia has been growing at a strong pace as its products have resonated well with consumers. In addition, its decision years ago to commit to building out an e-commerce platform has paid off in spades.

Not only did its e-commerce platform help the company continue to grow through the pandemic, but it also enables Aritzia to expand its business across the United States, which is why it has so much growth potential over the coming years.

Last week, the stock released its earnings for the second quarter of its fiscal 2023 year. And not only was its revenue growth of 50% ahead of expectations, but Aritzia also increased its guidance for the full year.

Therefore, while Aritzia trades off its highs and at a forward price-to-earnings (P/E) ratio of 26.3 times, well below its three-year average of 46.2 times, it's one of the top retail stocks in Canada that's too cheap to ignore.

A high-quality retailer offering an attractive dividend

While Aritzia offers some of the most impressive growth potential, another high-quality retail stock that's also been performing exceptionally well lately is **Canadian Tire** (TSX:CTC.A).

Canadian Tire has built an incredible portfolio of retail banners, and like Aritzia, it has an impressive e-commerce platform which has contributed to much of its success.

The company saw a massive boost from the pandemic and performed much better than expected while outperforming most other retail stocks. However, since the pandemic, as we face significant inflation, Canadian Tire's stock has sold off considerably.

And not only is it extremely cheap now, trading at roughly 30% off the high it reached in 2021, it also pays one of the most attractive dividends of all the retail stocks in Canada.

With Canadian Tire stock trading undervalued, investors can buy the stock today and lock in a yield of more than 4.3% while waiting for the stock to recover back to fair value.

So, if you're looking for cheap stocks to buy now, the retail sector is full of high-potential businesses. These two stocks, in particular, are easily some of the best to consider today.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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