2 Dirt-Cheap TSX Stocks to Buy Now and 1 to Avoid

Description

Market corrections can be a blessing and a curse for TSX stock investors. On one hand, many stocks you own have likely lost paper value. As long as you don't sell, you won't have a permanent loss. However, even paper losses and seeing red on your investment balance can be unnerving. This is the curse of market corrections.

The blessing is that many high-quality stocks pull back in price and value. Market corrections can be amazing opportunities to buy great businesses at rare, low valuations. These types of stocks are generally quick to rebound when the market recovers, so adding on the dip can be very profitable.

Below are two high-quality TSX stocks that are dirt cheap and look like great buying opportunities. Also, here's one TSX stock that I would avoid buying, even though it may appear "cheaper" today.

A top TSX stock for any portfolio

Brookfield Asset Management (TSX:BAM.A) stock has fallen over 28% in 2022. Today, it trades for 11.5 times forward earnings and 13 times funds from operation per unit. This is the cheapest valuation its stock has traded for in nearly 10 years (other than during the pandemic crash). It trades for a nearly 50% discount to estimated intrinsic value.

Despite that, there are plenty of reasons to like this stock for the long term. Brookfield has a plan to grow from $750 billion of assets under management to $2 trillion in the next five years. That could help grow distributable earnings by a 20% compounded annual rate. If you use the Rule of 72, the stock could potentially double in as little as 3.6 years.

Brookfield plans to spin off 25% of its asset manager before the end of the year. This could be a potential catalyst for Brookfield's stock to recover closer to its real value.

The most defensive utility stock on the TSX

If you want a safe, reliable income stock, **Fortis** (TSX:FTS) could be a bargain today. In the past six months, its stock has fallen 18.9%. With a price-to-earnings (P/E) ratio of 17, it is trading near its lowest valuation in a decade. For context, its average P/E is closer to 18.75.

Today, you can buy this stock while it is trading with a 4.3% dividend yield. That is significantly above its five-year average of 3.7%. Fortis is one of the most defensive utilities in North America.

It has a 49-year history of consecutively growing its dividend. For a great combination of value, income, and defensive assets, Fortis looks like a solid buy today.

A stock to avoid like the plague

One TSX stock that may be tempting to buy after experiencing a massive decline is **BlackBerry** (TSX:BB). It is down over 47% in 2022. It got caught up in the Reddit buying frenzy a few years ago, but it has been a poor performer ever since.

While the company always seems to be connected to the latest tech craze (like autonomous driving or cybersecurity), it can never turn its new initiatives into profitability. Revenues have been declining in the past five years, and the company can never seem to turn a consistent profit.

BlackBerry may seem attractive as a “cheap stock” after falling so much. Yet it still trades for a hefty 3.6 times sales and a negative P/E. BlackBerry is one stock that investors are better off avoiding like the plague.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:BB (BlackBerry)
3. NYSE:FTS (Fortis Inc.)
4. TSX:BB (BlackBerry)
5. TSX:BN (Brookfield)
6. TSX:FTS (Fortis Inc.)

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1. Investing

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