Deep Value on the TSX: 2 Dirt-Cheap Stocks to Buy Right Now

Description

There's a lot of deep value out there on the TSX Index, especially in the mid-cap universe. For value investors willing to put in the extra homework, ample risk-adjusted gains are to be had as the market looks to move on from one of the most grueling bear markets to date. Indeed, recession and rate hikes have been the story of the year.

As the page turns on 2022, investors have no idea what to expect once the recession finally does arrive. Indeed, many of us foresee a recession on the horizon. However, the severity of the downturn is currently up for debate. If central banks hit the pause button, stocks could have the means to climb back from their lows experienced just a few weeks ago. On the flip side, if inflation proves more persistent, things could easily get worse. Right now, though, I think the odds are in favour of the bulls after a calming CPI report that saw inflation come in just a tad lighter than expected.

Deep value on the TSX Index amid peaking inflation

Indeed, peak inflation may suggest the worst is over with. And if inflation does back down, the Fed has more moves it can execute, including interest rate cuts. Though the Fed won't flinch with its current hawkish policies, the road forward could be far smoother if inflation continues to pullback at this rate.

2023 is likely to be a year of recession. But as we learned in the days of 2020, the stock market is not the economy and vice-versa. A weaker economy could be met with a rebounding stock market, the gains of which may be difficult to fathom at this gloomy juncture.

Thursday's big up day showed us there's still hope. As inflation backs down and investors get bullish again, there may be no stopping the birth of the next bull.

Consider **Brookfield Asset Management** (TSX:BAM.A) and **Onex** (TSX:ONEX), two value plays that were up big on Thursday with room to run in 2023.

Brookfield Asset Management

Shares of Brookfield rocketed nearly 9% on Thursday, as the alternative asset manager rode high on the promising inflation results south of the border. At just 19.2 times trailing price-to-earnings (P/E), I still view the investment management kingpin as a top pick for the new year. Indeed, Brookfield spin-offs are on the horizon. Though it could introduce further uncertainties, I do think the moves will be beneficial over the long haul, as the Brookfield banners narrow their focus.

At writing, Brookfield boasts a 1.23% dividend yield. It’s small in stature but potentially huge in terms of growth prospects.

Onex

Onex is another investment manager that got a big bid higher on Thursday, up just north of 5%. Despite the recent relief run, the stock is still in the gutter, down 28% from its late 2021 high. At 5.9 times trailing P/E, Onex is still a very cheap stock, with some wonderful businesses (think Westjet Airlines) that could become unstoppable once the economic tides finally do turn.

For now, Onex is in deep value territory and a compelling turnaround play for investors looking to get the most bang per buck. As a $6 billion firm, Onex is a mid-cap gem that should have the attention of all value-conscious investors seeking big gains relative to risks taken on.

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