3 Top Canadian Stocks to Buy Now Before They Rally

Description

Canadian stocks have rallied in November. After a dire October, it is not surprising that improving inflation data helped fuel a fast recovery in stocks. It is difficult to know whether that rally will be sustained for a longer period into the future. There are still several economic and geopolitical reasons that would suggest a bumpy road ahead.

The best advice for uncertain investors is to invest in high-quality businesses and then plan to hold them for the long term. If you stagger your investments and dollar-cost average into stocks, you can gradually build positions at an attractive cost basis.

While the near-term rally has increased valuations, some stocks still remain cheap and undervalued. In fact, here are three Canadian stocks I'd consider buying before a longer-term bull market rally occurs.

A top Canadian dividend stock

Brookfield Renewable Partners (TSX:BEP.UN) is a top stock for a combination of growth and income. Energy security has recently become a major global issue, and Brookfield is in a prime position to provide green energy solutions. BEP already has 23 gigawatts (GW) of hydro, wind, solar, and battery power in production. It has a huge development pipeline for over 100 GWs of projects.

It just bought a large stake in Westinghouse, a premier nuclear energy services provider. Across the spectrum, Brookfield is positioned to be a major green energy developer and provider for decades ahead.

BEP targets a 12-15% annual total-return profile. This Canadian stock yields 4.37%, but it has grown its dividend by around 6% a year since its inception. It targets 5-9% dividend growth on a go-forward basis. Its stock is down nearly 12% in 2022, but it could have a serious rally once interest rates start to stabilize.

A top Canadian value stock

Brookfield Asset Management (TSX:BAM.A) is the parent company that manages Brookfield Renewable. This is a great Canadian stock for its diversification across a wide array of alternative assets. Investors get exposure to everything from real estate to insurance to industrial to infrastructure.

Brookfield has a market cap of $96 billion today. However, it still has ample room to grow. It has $750 billion of assets under management today, but it is targeting $2 trillion by 2027. As BAM scales, it gets more opportunities to grow.

Brookfield is currently planning to spin off its asset management business by the end of the year. Management anticipates this could be a pivotal action to unlock longer-term shareholder value. Right now, BAM stock trades at a near 40% discount to its intrinsic value, so long-minded, patient investors could enjoy significant upside in the coming years.

An underappreciated growth stock

With a market cap of $622 million, **Calian Group** (TSX:CGY) is a fairly small-cap growth stock. After a nearly 11% decline in 2022, it trades with a decent 2% dividend yield. Calian is interesting for its diversified mix of businesses in healthcare, training, cybersecurity, and specialized technologies.

This Canadian stock has been growing by around 20% for the past several years. During this time, margins have been improving, cash flows have grown, and it has consistently been profitable.

It only trades for 14 times normalized earnings and nine times earnings before interest, taxes, depreciation, and amortization. The company has $51 million in cash, so I suspect it will be opportunistic in buying additive companies in this economic downturn. This Canadian stock trades at a meaningful discount to peers, and it could see a strong recovery if the stock market turns bullish again.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

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2. TSX:BN (Brookfield)
3. TSX:CGY (Calian Group Ltd.)

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