2 Undervalued Canadian Stocks Worth a Buy Right Now

Description

With a strong push in the stock market over the past month, there's a feeling of bullishness among investors that we haven't felt in a while. The market surged earlier this year but the gains were short-lived. This time around, though, it feels as if there is the possibility that the worst is behind us.

The Canadian stock market as a whole is down not even 10% on the year, which I'd say is somewhat surprising considering how the U.S. stock market has fared in 2022. Still, there are plenty of Canadian stocks trading at losses far greater than 10% today.

Investing in a bear market

For long-term investors, now is an incredibly opportunistic time to put money into the stock market. It's been a difficult year for investors; there's no question about that. But for those that are willing to be patient and keep a long-term mindset, these are the types of years where fortunes are made.

The TSX is loaded right now with high-quality businesses trading at massive discounts. We haven't seen selloffs like this in years. What's incredible to see is the magnitude of selling that seemingly dependable companies have been hit with.

I've reviewed two discounted TSX stocks that I've got at the top of my own watch list right now. Both companies have well-established positions in their respective industries and have been strong performers on the TSX over the past decade and longer.

If you've got some cash to spare and are willing to be patient, these two Canadian stocks should be on your radar.

Algonquin Power

Algonquin Power (TSX:AQN), one of Canada's leading utility providers, has been hit recently with an uncharacteristically high amount of volatility. Utility stocks are known as slow growing but dependable, investments to own. However, shares of Algonquin Power are down nearly 50% over the past six months.

The market was unimpressed with the company's most recent earnings report. The stock tanked close to 20% in a single trading day following the release of its quarterly earnings. A drop like that is uncommon for any type of company, let alone a well-established utility stock.

Despite the negative sentiment, management urged inventors to think long term. Rising inflation and interest rates have had a major impact on the company in the short term. But over the long term, the company's presence in the growing renewable energy space is a key reason why I'm interested in the stock at this price.

And in the meantime, while the stock recovers, the company's dividend is nearing an incredible 10% yield.

Air Canada

It wasn't surprising to see shares of Canada's largest airline **Air Canada** (TSX:AC) tank at the beginning of the pandemic. The stock dropped more than 70% in a very short amount of time in early 2020 and is currently still trading below pre-pandemic prices.

Where Air Canada separates itself from other North American airlines is its market-beating track record.

In the decade leading up to 2020, Air Canada was a top-performing stock, easily outpacing the returns of the broader Canadian stock market and most other North American airline stocks.

If you're willing to be patient, this could be a multi-bagger sooner rather than later. We've already witnessed a roaring return to travel, so this discounted price may not be here for much longer.

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Author
ndobroruka