A New Bull Market is Coming – 3 Cheap Stocks I'm Furiously Buying Before It Gets Here

Description

Heading into 2023, it looks quite likely that a new bull market is coming. TSX stocks are down 8% for the year; U.S. stocks are down more, yet we've got many companies putting out good earnings. For example, in its most recent earnings release, **Adobe** beat analyst expectations and delivered positive earnings growth. If other companies put out similar results, then the sell-off in stocks will start to look like it wasn't justified. If so, prices will rise, leading to a new bull market.

The obvious counterpoint to this argument is that most economists expect a recession to begin next year. The consensus according to an *Economist* survey is for a mild recession in the first half followed by a rebound. Year-end growth is expected to come in at 0.4%. The fact that a recession is expected might look like a negative, but remember that stocks tend to bottom before the economy does. The worst may already be behind us. With that in mind, here are three cheap stocks I'm furiously buying ahead of the next bull market.

Micron

Micron Technology (NASDAQ:MU) is a stock I hold a small position in. I would not "go all in" on this stock right now, but there is a price at which I would invest a substantial amount of money in it:

$44.

At $44, Micron would be trading at a price/book ratio of 0.997. "Book value" is a stock's assets minus its liabilities. The "price/book ratio" is price divided by book value. When a stock trades at a price/book ratio of one, that means that you're paying a price exactly equal to what the company owns. Any lower than one, and you're paying less than what the company owns.

Should Micron stock fall to $44, it will be a great value. It's about the level that top value investors likeLi Lu, Mohnish Pabrai and others started buying it at. For now, I'm content with just a small position in Micron. If it falls to $44, I'll be buying a lot more.

Alphabet

Alphabet Inc (NASDAQ:GOOG), hereafter referred to as "Google," is the company that owns Google Search, Youtube, and Google Cloud services. It currently trades at a P/E ratio of 17.8, which is way below average for big tech.

Alphabet is not "dirt cheap" the way Micron is. Trading at 4.6 times book value, it certainly isn't cheap if you look at it from an asset-based valuation perspective.

Nevertheless, it is relatively inexpensive for the kind of company it is. Google has seven products with over a billion users each. Google Search has 4.3 billion users worldwide – half the world's population – and Youtube has 2.6 million. This is a giant company that isn't going anywhere, yet its stock price has been beaten down this year because of a couple bad quarters. Personally, I've been buying the stock heavily in anticipation of a future recovery.

TD Bank

The Toronto-Dominion Bank (TSX:TD) is the one Canadian stock I've been buying heavily this year. The stock is currently the second highest weighted in my portfolio, and it produces nearly half of my dividend income.

TD Bank stock has a lot going for it.

It's cheap, trading at just 9.5 times earnings.

It has strong growth, with 35% growth in revenue and 5% growth in adjusted earnings in the most recent quarter.

Finally, it has big projects in the works, such as its acquisitions of the U.S. banks **First Horizon** and **Cowen.** TD Bank has delivered good returns over the years, and if its current projects work out, it will continue doing so in the future.

CATEGORY

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3. TSX:TD (The Toronto-Dominion Bank)

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