2 Top Value Stocks to Buy in January 2023

Description

The incredible market rout we saw in 2022 has led to immense pain for many investors. Those who did not rotate out of growth and into value stocks last year felt more pain than others. Accordingly, as we kick off a new year, the question remains as to whether such a scenario will repeat in 2023.

Many of the same macro factors that took the market lower last year are still at play. Inflation is still stubbornly high, with interest rates seemingly set to rise further from here (and potentially stay higher for longer). For growth stocks, that doesn't bode well for this year's outlook.

That said, companies trading at reasonable valuations have a better shot of making it this year. Here are two such value stocks that I think are worth considering amid this market turmoil.

Top value stocks to buy: Manulife

Manulife (TSX:MFC) is one insurance company I've been pounding the table on of late. That's because in times of crisis, investors seek defensiveness. And companies like Manulife, with massive moats and sustainable (yet reasonable) growth prospects, look much more attractive in times like these.

It turns out that Manulife stock has been a relatively steady performer over the past year. It's roughly flat on a year-over-year basis compared with sharp stock declines among certain pockets of the market (particularly tech). For investors looking for safety, Manulife has shown its value in 2023.

I think much of the same will be in order for 2023. Short interest has declined for MFC, as the company's rock-bottom price-to-earnings ratio of around 6.5 times entices more buyers than sellers.

Sure, something could go wrong in 2023, leading insurance companies lower. But for those bullish on safety, this is a top stock to consider.

Alimentation Couche-Tard

Another company I've been bullish on for a long time has been **Alimentation Couche-Tard** (TSX:ATD). Another strong performer in 2022, Couche-Tard has actually provided investors with gains of around 10%, in addition to its small dividend yield.

Couche-Tard's strong performance comes mostly from its bottom-line results. The company's earnings, which came in higher than expected at $1.07 per share, price this stock around 15 times earnings. For a company of this quality, that's still dirt cheap. Thus, even at these more elevated levels, Couche-Tard is one of the value stocks I think is really worth considering right now.

A purveyor of gas stations and convenience stores around the world, Couche-Tard has benefited from a strong operating model that's led to impressive margins over time. I don't think this dynamic will change anytime soon, and with gas prices coming down and more drivers set to hit the roads, it's likely to be smooth sailing ahead for this stock in 2023.

CATEGORY

1. Investing

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