2 Undervalued TSX Stocks That Should Be on Your Radar!

Description

There's no shortage of "value plays" on the TSX Index after doing a relatively decent job of holding its own in a bearish 2022. Looking ahead, Federal Reserve interest rates and hawkish chatter could continue to drag markets south.

Indeed, investors have no friend in the Fed.

As investors continue to duke it out with a seemingly unforgiving Federal Reserve, many may be conditioned for further pain in the new year. It seems like a good time to get out of the markets as the Fed continues to remind investors that it is not yet done raising interest rates and needs greater assurance that the annoying inflation "genie" is returning to his bottle.

Recent inflation data may be promising. But the Fed knows the danger of lingering inflation. Back down in a "winning" fight too soon and inflation could have a chance to squeeze consumers for longer than is needed.

So let's delve deeper into two cheap TSX stocks that I view as undervalued. In a market that's in a rough spot, I think the following names are the ones to watch through 2023.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) is a hard-hit Canadian bank with great international exposure (the Latin American business is viewed as a source of long-term growth). It's this international segment that's been a sore spot for the bank relative to its peers.

Undoubtedly, emerging markets may be growthier, but it often comes at the cost of greater volatility during rough economic patches. Higher rewards oftentimes entail higher risks.

BNS stock is down around 28% from its high — a more painful drop than some of its Big Five peers. The Latin American business may fall into a rut, as the recession hits. However, I still view emerging markets exposure as key to scoring better gains over the long term.

Bank of Nova Scotia stock faces a tough uphill battle, as the recession weighs in. Still, longer term, I view BNS stock as one of the best ways to further geographically diversify your portfolio without having to venture out of the TSX. Further, at 8.5 times trailing price-to-earnings, I think there's never been a better time to consider Canada's most internationally focused big bank. If the low multiple doesn't entice you, the 6.2% yield may.

fool_stock_chart ticker=TSX:BNS]

TD Bank

TD Bank (TSX:TD) is another big bank that's trying to climb out of a hole which 2022 kicked it into. The stock is down just shy of 20% at writing. With a 9 times trailing price-to-earnings multiple and a 4.44% dividend yield, TD stock may not be the cheapest play or the most appealing through the eyes of passive income investors.

Still, I view TD Bank as a well-managed industry player that's not too phased by near-term headwinds. It's focused on improving risk-adjusted growth over the long run. Recent M&A moves suggest TD is more than willing to brave macro headwinds en route to becoming a more dominant force in the Canadian and U.S. banking scene.

The road ahead is uncertain, but investors are in good hands with TD as the banking scene prepares to move through the chilly cold breeze of recession this winter.

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