



3 UNDERVALUED TSX Stocks to Buy in January 2023

Description

The interest rate-hike cycle will likely continue in the first half of 2023. So, valuation will likely be a big driver for stocks this year as well. If you are looking for undervalued TSX stocks, here are some of them.

Baytex Energy

Canadian energy names delighted shareholders last year with massive gains. In 2023, some mid-cap energy stocks look better placed than their larger counterparts. One among them is **Baytex Energy** ([TSX:BTE](#)). It has returned 31% in the last 12 months.

BTE stock is currently trading 2.5 times its 2023 cash flows and five times its earnings. This looks discounted against peers and offers notable value for 2023.

Baytex Energy has a diversified asset base, with one-third of its production coming from the Eagle Ford basin in the United States. Notably, 40% of its production is light oil and receives a premium rate than West Texas Intermediate (WTI). This lowers its exposure to the Canadian benchmark Western Canadian Select, which trades at a significant discount to WTI.

BTE stock has dropped 35% since August 2022. But it could change course and turn higher this year with oil and gas prices climbing higher on supply woes.

B2Gold

Gold and gold miner stocks lost value for the most part in 2022. But since November, the yellow metal has started to regain its sheen as the picture on the macro front has started showing some pivot. If the interest rate hike cycle pauses this year, it will likely make the bullion appealing again.

Canadian gold miner **B2Gold** ([TSX:BTO](#)) is one attractive bet for this year. The stock has rallied 40% since November and might keep trading strong in 2023. It operates high-quality mines in Africa and

has seen a decent increase in production in the last few years.

BTO stock is currently trading 16 times its earnings and looks relatively [undervalued](#). Peers are trading close to 20 times earnings. Notably, if the yellow metal keeps trading strong, gold miners will see substantial earnings boost and [value creation](#) for 2023.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#)) stock has gained 10% since last month but is still 15% below its all-time highs. BMO stock currently looks appealing as it is trading at 1.3 times its book value. That's below peers' average.

Notably, BMO offers earnings and dividend stability that's particularly valuable in these uncertain times. Plus, it has a strong credit profile, which makes it resilient compared to peers in a probable economic shock.

BMO stock currently yields 4.4%, marginally higher than TSX bank stocks. Notably, it has paid dividends for the last 194 consecutive years.

However, the current strength in TSX bank stocks might lose steam soon. As banks south of the border are seeing higher provisions, Canadian banks will also see lower earnings due to the same. BMO plans to release its earnings by the end of next month. So, short-term weakness might prevail in TSX bank names then, which will be a more prudent time to enter stocks like BMO.

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2. TSX:BTE (Baytex Energy Corp.)
3. TSX:BTO (B2Gold Corp.)

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