Sitting on Cash? These 2 TSX Stocks Are Great Buys Today But Won't Be Forever

Description

If you're sitting on too much cash, say, over 10% of your investment portfolio, you may be overly conservative. Sitting on cash causes you to lose your purchasing power over time because of inflation. Inflation jumped to 6.8% in 2022, which was much higher than the norm of about 2% that we have experienced in recent history.

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So, if you're sitting on a lot of cash, consider these two TSX stocks that could be great buys today. The bargains won't last forever!

BNS stock

Bank of Nova Scotia (TSX:BNS) stock is a bargain, as it offers a safe dividend yield of close to 6%. It's a better buy than one-year Guaranteed Investment Certificates (GICs) that offer interest income of about 5%. That said, you should only consider putting long-term capital in BNS stock, because no one knows where stock prices will go in the short term. In the long run, if the international bank increases its earnings per share over time, as it has in the past, its stock price will head higher.

GICs are much safer for short-term investments, because they provide principal protection. For the lower risk that investors take, investors earn expected lower returns from their guaranteed interest income.

Notably, the Canadian bank stock's dividend is more favourably taxed versus interest income in non-registered accounts. As well, the dividend stock can also lead to additional profits for investors from price appreciation driven by long-term earnings growth.

At $69.22 per share at writing, the undervalued stock trades at a discount of about 8.3 times this year's estimated earnings. It's a great buy at a discount of 28% from its long-term normal price-to-earnings ratio. It would probably take favourable economic conditions for the cheap stock to revert to higher prices. So, investors should be ready to invest for at least three to five years.

Aritzia stock

Aritzia (TSX:ATZ) stock also seems to be trading at a bargain. It could be a great buy on the dip. Across seven analysts, Yahoo Finance displays that it has a 12-month price target of $61.57 per share. This target represents a meaningful discount of 27% from below $45 per share at writing.

Management thinks the stock is cheap, too, which is why it's going to use excess cash that's not needed to grow its business to repurchase up to 5% of its public float starting as soon as January 20 over a period of 12 months.

For a consumer discretionary stock in the apparel retail industry, the company did exceptionally in a period that dragged down many other retail stock results because of high inflation and rising interest rates.

Specifically, in the first three quarters of its fiscal 2023, Aritzia increased net revenue by 48% to $1.56 billion, which trickled down to earnings-per-share growth of 23%. It also increased its adjusted earnings before interest, taxes, depreciation, and amortization, a cash flow proxy, by 22% to $271.8 million.

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The company's strong results are thanks to its focus on building an everyday luxury brand, expanding its geographic footprint, particularly, in the United States, and growing through e-commerce.

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