2 Undervalued TSX Stocks Worth a Buy Right Now

Description

When the market dropped sharply last year, many investors focused solely on the short-term impact of that drop. Another, more positive way to see that drop is by the long-term opportunity that now exists thanks to that volatility.

Here are two undervalued stocks to consider right now and why.

A bank with more long-term upside

Canada's big banks are stellar long-term investments, but like most of the market, they witnessed a sharp drop in 2022. And some banks saw a steeper decline than others. One such bank is **Canadian Imperial Bank of Commerce** (TSX:CM).

In fact, over the course of the trailing 12-month period, CIBC's stock has declined over 25%.

That's an incredible drop for an otherwise great long-term pick. So then, why should investors consider CIBC as one of the undervalued TSX stocks to buy right now? That comes down to three key reasons.

First, we have that stock price dip. There are several reasons for that drop, but they largely stem from rising interest rates and the impact on CIBC's large mortgage book. As interest rates rise, existing mortgages become more expensive, and there are fewer new mortgages coming to market.

Fortunately, the market does recover in time, and the big banks have shown their ability more than once to recover quickly. Prospective investors should note that this is a long-term play and not a short-term one. In other words, buy now that the stock price is low, which leads to my second point.

That drop has swelled CIBC's dividend to an impressive 5.82% yield. This means that a $40,000 investment in CIBC will generate an income of over $2,300. Factor in a practice of annual dividend hikes and reinvesting those earnings until needed, and you can have a solid long-term income generator.

Finally, we have timing. Last year, CIBC underwent a stock split. While this doesn't add value, it does lower the cost of entry for new investors or those without thousands to drop on an initial investment. As of the time of writing, the stock trades at an attractive P/E of just 8.84.

CIBC's current price point coupled with its generous dividend make it an undervalued TSX stock for your portfolio.

Shopping can make you rich, right?

Another intriguing stock to consider is **Shopify** (TSX:SHOP). Like CIBC, Shopify saw steep drops last year for similar, yet different reasons.

As of the time of writing, Shopify is down a whopping 40% over the trailing 12-month period.

Here's the thing, though. If we look at Shopify's performance today over where it traded at the onset of the pandemic, the stock trades up over 3% today.

When the pandemic hit, consumers were pushed to online shopping platforms in lieu of brick-and-mortar stores. This resulted in Shopify's stock taking off into the stratosphere.

But now that the pandemic is coming to a close, and stores are once again open, some consumers are returning to in-person shopping. Factor in rapidly rising inflation, which is causing consumers to cut back on spending and you have Shopify's current predicament — in other words, slower-than-expected growth and struggling profitability.

The market will recover, and Shopify announced it is going to address its profitability. This week the company announced a change to its pricing structure.

That hike is long overdue. Spotify has kept its service pricing unchanged for a decade. Meanwhile, during that period, the company has acquired and integrated countless new features and add-ons to its platform.

The market has already responded positively to that news. The stock is up a whopping 15% just this week.

Will you buy these undervalued TSX stocks?

Shopify and CIBC are unique stocks. They both offer long-term growth potential for investors that can look past any immediate shortcomings. And while now investment is without risk, that long-term potential is huge.

In my opinion, Shopify and CIBC are some of the undervalued TSX stocks to buy *right now*, but they won't remain that way for long. Buy them as part of a larger, well-diversified portfolio, and watch them grow.

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