3 Domestic Stocks That Are Too Cheap to Ignore

Description

The Canadian stock market had a big year in 2022. Sure, it was a brutal year on the whole for investors. But the TSX Index finally outdid the U.S. indices. It's unclear as to whether Canada can continue to beat the U.S. in the front on financial market returns.

Regardless, I think there are many reasons to stay invested in TSX stocks over U.S. plays, even if valuations are lower south of the border, with a loonie that's slightly more attractive after the latest run to around US$0.75.

The Bank of Canada (Canada's central bank) will be hitting the pause button faster than the U.S. Federal Reserve. Indeed, this bodes well for the Canadian market, as it looks to move past the tightening cycle and the potential recession it could spark.

Without further ado, here are three domestic stocks that still seem full of value going into February 2023.

Bank of Montreal

Bank of Montreal (TSX:BMO) is a Canadian bank with a growing presence in the United States. Undoubtedly, domestic banking is a fine place to be for new investors. But in terms of longer-term growth, looking beyond Canada is a wise move. BMO has done a great job of pushing down south.

With the recent regulatory green light surrounding its Bank of the West deal, I view BMO as one of the most exciting bank stocks for investors looking to for a U.S. and Canadian play with a commercial banking twist. BMO's retail and wealth management business has also been a promising spot for BMO.

The biggest attraction to BMO stock has to be valuation. It's the cheapest (based on trailing price-to-earnings) bank of the Big Six basket right now at 6.7 times trailing price to earnings (P/E). I think the relative discount is unwarranted, especially considering some of the unique headwinds some of its international or domestically overexposed peers face.

With a 4.3% yield, BMO stock is my favourite bank to buy right now.

Spin Master

Spin Master (TSX:TOY) is another domestic firm that hasn't gotten enough respect. Yes, a recession may be coming, and it's worst for discretionary firms like toymaker Spin. Add bad news hitting its U.S. peers into the equation, and Spin has been one of the names to sell now and reconsider later.

Earnings and sales may not be in a spot to recover anytime soon. However, I think expectations are a tad on the low end. Spin has a lot of great brands like Paw Patrol going for it. Further, Spin's digital games business could be what separates the firm from its peers, as it looks to innovate its way to take share away from its bigger brothers in the toy scene.

Finally, Spin does mergers and acquisitions quite well. It makes deals where it makes sense. Slowly, but steadily, Spin now has an outstanding roster of products. At 9.25 times P/E, I view Spin as worth taking a spin amid its multi-year tailspin.

Leon's Furniture

Leon's Furniture (TSX:LNF) is a big-ticket discretionary, which could be most vulnerable to a downturn. Still, the stock has already had the band-aid ripped off, with a more than 40% plunge in the rearview. I think the furnishing play has longer-term tailwinds (a large number of first-time homebuyers hitting the market through the next decade could mean upbeat furniture demand) that could help it through a choppy year.

At 6.89 times trailing P/E, LNF stock is another highly capable deep-value play that I don't think will stay down for too long!

CATEGORY

1. Investing

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1. TSX:BMO (Bank Of Montreal)
2. TSX:LNF (Leon's Furniture Limited)
3. TSX:TOY (Spin Master)

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