2 TSX Stocks Offering Deep Value Today

Description

It's been a terrific start to the year, with the broader TSX Index now up nearly 7% for January. Yet, it's unrealistic to expect this pace of gains through year's end. Many market strategists remain downbeat, and some have S&P 500 price targets implying next to no returns for the year. Undoubtedly, many may think it's a good time to take some profit off the table.

The January jump gave investors some much-needed optimism. And with the recent round of earnings reports providing some relief (though there were quite a few misses, things could have been much worse), new investors should look to be more selective when it comes to selecting stocks.

Indeed, not all stocks participated in the January jump. Despite the recent jolt of optimism, there are still a lot of headwinds ahead, as the effect of rate hikes comes into play. That's why taking on a more value-conscious approach could prove smart, as the tug-of-war between the bulls and bears continues.

January kicks off with strong gains

Personally, I think the bulls are getting the upper hand. In that case, I expect bearish strategists to revise and upgrade their targets to reflect recent action. Either way, Canadian investors shouldn't make too many short-term "calls." At the end of the day, investing is all about the long term, even though it's easy to get caught up in the day-to-day action around earnings season.

Today, we'll check out two TSX stocks that I think are in deep value territory going into February 2023. Now, deep-value investing may imply a wide margin of safety, but investor patience will be put to the test, as even the cheapest of value plays may not be the timeliest. It can take a while before Mr. Market realizes the real value to be had in a name, especially when sentiment swings wildly.

Air Canada

First up, we have Canada's top airline in **Air Canada** (TSX:AC). The stock has been a laggard since its pandemic crash. Of late, though, the name has been lifting off. Year to date, Air Canada shares are up an impressive 20%. Undoubtedly, shares entered 2023 in a tough spot, so a strong relief rally shouldn't have been too much of a surprise.

As the company continues to do its best to cope with macro headwinds, I think the ailing airline could have more room to run. The stock's still cheap at 0.6 times price-to-sales. Further, with a lot of recession-induced pressure already priced in, look for Air Canada to have a somewhat easier time surpassing estimates for its fourth-quarter results, which come due on February 17.

Spin Master

Spin Master (TSX:TOY) is a Canadian toy firm that has also enjoyed relief for the month of January, now up more than 9% year to date. Bleak earnings results from last year caused shares to slip violently in the second half. With a strong portfolio of brands, a robust balance sheet, and a sea of potential M&A targets, I view Spin as a discretionary company that can navigate macro headwinds.

The stock trades at 9.6 times trailing price-to-earnings (P/E). That's incredibly cheap for a firm that has shown it can innovate and challenge its much larger competitors. Spin hasn't done a heck of a lot for investors in five years. Still, I'm a fan of the moves made in upper management.

With many tools it can use to take a bit of share, I'd look to give the firm the benefit of the doubt – even if a recession puts discretionary plays like Spin in the crosshairs of the next inevitable pullback.

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Date
2025/06/27
Date Created
2023/02/06
Author
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