Market Rally: Canadian Tire Is a Buy Today

Description

About one month ago, we had hit the bottom of a 35% drop in the **S&P/TSX Composite Index**. It wasn't just the amount that the market had dropped that had made it difficult to endure, but also the speed at which it dropped. It took just over one month to see the entire drop occur. The market has since rebounded very well during the recent four-week market rally.

Since the market bottomed out in March, we have seen the market rally by an astonishing 27% in four weeks. Although we may still be headed for a recession, the market is reacting to positive news from the previous month.

There is no way to know for sure if that March low we witnessed was the bottom of this market crash. Rather than worry about timing the market, however, take time now to look for undervalued companies during this market rally.

Many Canadian companies have enjoyed impressive runs over the past four weeks, while others have remained stagnant. **Canadian Tire** (TSX:CTC.A) is an example of one such company that has enjoyed an impressive run during this market rally.

The iconic Canadian retailer is a great stock for any Canadian investor to be buying today. Let's take a deeper look at the company to understand why it's a buy at this price.

Market rally opportunity

The $6 billion market cap retailer operates more than 1,500 stores across the country. The company drives revenue through four major categories: automotive, hardware, sports gear, and furniture.

Canadian provinces deemed the retailer to be essential, while many other retail stores across the country were forced to close temporarily. Profits will certainly be taking a hit during this social distancing period, as many usual shoppers are staying inside. But the company is still generating online sales, while many other retailers are completely closed.

The Canadian Tire brand continues to grow through acquisitions as well. In 2018, the retailer purchased the Norway-based brand Helly Hansen for close to $1 billion.

Valuation is cheap even after this market rally

The stock is trading well below its 52-week high of $157 from November 2019. It has seen an impressive run over the past four weeks during this market rally but is still undervalued.

The P/E ratio helps investors determine how expensive a stock is currently trading. The ratio looks at the current share price relative to its earnings per share.

Trading at a P/E ratio of just 7.7, the retailer is cheaper than the Canadian market average today.

There are certainly strong headwinds for this retailer as COVID-19 continues to impact consumer shopping. But at today's price, the stock is undervalued and could very well see the price continue to rise during this market rally.

Dividend yield

Canadian Tire is part of the exclusive Dividend Aristocrat club and boasts an impressive yield. At today's stock price, the dividend yield is 4.61%.

The drop in stock price this year has certainly driven the dividend yield up. A $10,000 investment made today in Canadian Tire would earn shareholders a quarterly check of $115.

Foolish takeaway

The retailer may still be down on the year, but the recent market rally has driven up optimism about the future of the company.

The retailer has been fortunate enough to remain open while Canadians practice social distancing. Profits will certainly be affected, but less so than many other companies deemed unessential.

Even with an impressive run during the market rally over the past four weeks, Canadian Tire shares are still undervalued.

For any Canadian investor following a buy-and-hold strategy, this is a great stock to buy at a discount today.

CATEGORY

1. Investing

POST TAG

1. market rally
2. Retail

3. retail stocks

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Tags

1. market rally
2. Retail
3. retail stocks

Date
2025/08/19
Date Created
2020/04/22
Author
ndobroruka