



2 Undervalued Stocks I'm Adding to My Watch List in October

Description

The extreme levels of volatility in the stock market this year has made it very difficult to keep up with the day-to-day movements in stock prices. Fortunately for long-term Foolish investors, we don't need to sweat the ups and downs in the short-term. Our focus continues to be betting on long-term trends in the stock market.

At one point earlier this year, Canadians had witnessed the **S&P/TSX Composite Index** drop close to 40% in just over one month. Fast forward to today, that same index is down just 5% from where it began the year.

Bank stocks vs. tech stocks

Since hitting a yearly low on March 23, many Canadian companies have gone on incredible runs since bottoming out. The technology industry, in particular, has been one of the top-performing areas over the past six months. Bank stocks, on the other hand, have not had nearly as strong of a rebound as many tech stocks have.

Even with the Canadian market trading down 5% on the year, we're seeing lots of tech companies trading at all-time highs today, and once again trading at very high valuations as well. However, there are still bargains out there for Canadian investors looking to put some cash to work today.

I've covered a tech stock and bank stock, each of which is trading below all-time highs today. I've added both to my watch list for October, as I believe it won't be long until each returns to a position where it's outperforming the broader Canadian market's returns.

TD Bank

Canada's second-largest bank, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), is valued at a market cap of \$110 billion today. The bank sits behind only the **Royal Bank of Canada** in terms of market cap size.

It hasn't been the greatest year for TD Bank. The bank is trading down more than 15% since the beginning of 2020. And since the yearly low on March 23, the bank has rallied 25%, in comparison to the Canadian market's return of more than 40% in the same time span.

[The valuation](#) today is the main reason why I'm adding TD Bank to my watch list this month. The bank trades at a very favourable forward price-to-earnings ratio of 11 and a price-to-book ratio of just 1.25.

With regard to valuation, TD Bank is in line with the rest of the Big Five banks. It's the reliable dividend that yields more than 5% today and the exposure to the U.S. economy that highlights why I'm looking to add shares of this major bank before any other.

BlackBerry

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) is one tech stock that has been [on my radar](#) for a while. I'm adding this stock to my watch list in October because I believe the market has been slow to react to the future potential of this tech company.

Far from its glory days of trading above \$100, BlackBerry is now trading below \$10 and valued at a market cap of just \$3.5 billion. That's not to say there still isn't plenty of growth still ahead for this tech stock, though.

Over the past several years, BlackBerry has become one of the world's most trusted AI-cybersecurity companies. Considering that the entire cybersecurity industry is projected to grow at an annual rate of more than 10% over the next seven years, BlackBerry shareholders are in a prime position to potentially see the stock return to delivering market-beating returns.

Although BlackBerry trades at a higher valuation than TD, a price-to-sales ratio of just 3 is far below what you'll need to pay up to own shares of some of the top Canadian tech companies.

Foolish bottom line

Just because the market is once again nearing an all-time high doesn't mean there aren't any undervalued companies on the market.

TD Bank and BlackBerry are two examples of companies that I believe are undervalued today, which is why I'll be looking to potentially pick up shares of either company this month.

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POST TAG

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TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BB (BlackBerry)
4. TSX:TD (The Toronto-Dominion Bank)

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