2 Classic Canadian Stocks for New Investors to Buy and Hold for the Long Term

Description

When you are looking for Canadian energy and mining stocks to buy and hold, there are a few things to keep in mind, especially if you are new to trading shares. One of the first things that you need to look for if you want to hold a stock for the mid to long term is value: some folk like to use the P/E ratio almost exclusively, though this does not always tell the whole story with a stock's valuation and should be confirmed by other fundamentals and indicators of value.

Another thing to be aware of is that energy stocks are often bought and held for their dividends, while mining stocks are often bought low and sold higher for capital gains; for this, you will need to look at expected growth plus past performance and balance sheet health. Below you will find a representative stock of each sector — and therefore of each investment strategy — to give you a head start when buying Canadian stocks for the first time.

Enbridge (TSX:ENB)(NYSE:ENB)

You need to get defensive when you buy a stock for the long term, and one of the best indicators of this quality is the stock's market capitalization: Enbridge clocks in at a healthy $73 billion. In terms of value, a P/E of 28.7 times earnings seems high, so you will have to check out other indicators, such as its PEG and P/B ratios as well as valuation compared to future cash flow.

What about past performance? Should you take that into account when buying stocks to hold for a long time? You certainly should, since it gives an indication of the stock's health, profitability, and likelihood to be profitable in the near future. Enbridge is weighing in with a 36.8% one-year past growth in earnings. Look at the industry's average of -1.4% for the corresponding period and you'll see that Enbridge is more than capable of outperforming its industry.

Of course, if passive-income investing is your thing, you will want to know how you will be rewarded for your investment: a dividend yield of 6.26% is on offer if you buy today. However, new investors also need to look at things like a stock's balance sheet in order to see how stable they are. Enbridge has a high level of debt: 90.9% of net worth; however, given Enbridge's sheer size and market share, this should be too much of a concern for investors at the moment.

Lundin Mining (TSX:LUN)

Mining stocks operate much the same way as any other when it comes to longevity and stability, with similar indicators of value and size. A market cap of $4 billion puts Lundin Mining in defensive territory, for example. In terms of value, a P/E of 7.1 times earnings seems a little low, so check projected growth to see what's up, as well as other value indicators.

A one-year past earnings growth of 79.7% places this in the healthy stock category and is exactly what you want to see in a potential long-term buy. That percentage also beats the mineral and mining industry average of 41.5% for the same period, as well as its in-house five-year average of 15.8%.

The bottom line

These two classic Canadian stocks are great choices to buy and hold for the long term. Because they operate in different industries, they will also give your investment portfolio a bit of instant diversification. Both stocks look good and healthy, with that dividend yield and a +20% rise in future earnings of Lundin Mining, making it a strong play for capital gains investors; meanwhile, Enbridge's high dividend yield and strong past performance indicate a strong buy for fans of passive income.

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3. TSX:LUN (Lundin Mining Corporation)

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