Contrarian Investors: 3 Stocks at 52-Week Lows for Your RRSP Today

Description

The sharp decline in a number of Canada's top stocks in recent weeks is providing RRSP investors with a chance to pick up some quality companies at the best prices of the year.

Let's take a look at three stocks that could be interesting picks today.

Suncor (TSX:SU)(NYSE:SU)

The meltdown in the price of oil in the past two months has hammered the Canadian energy sector. While some companies should be avoided, others are starting to look like bargains.

Suncor is Canada's largest integrated energy company with oil production, refining, and retail operations. The oil sands business will certainly see a drop in margins due to the plunge in WTI oil from US$76 in early October to below US$50, but the downstream units should provide a nice hedge, as they have in previous downturns.

Suncor has a strong balance sheet and is able to take advantage of the difficult conditions to add strategic assets at attractive prices. If the current weakness in the market persists, it wouldn't be a surprise to see Suncor to on a buying spree.

The company just announced its 2019 capital program and production outlook. The midpoint of the guidance would put capital outlays on par with 2018, while production is expected to increase 10%, even with the recent output restrictions implemented by Alberta.

The stock is down to $39 per share from $55 in July. The dividend, which should continue to increase, now provides a yield of 3.7%.

TransCanada Pipelines (TSX:TRP)(NYSE:TRP)

TransCanada trades at $52 per share, compared to $61 at the start of the year. The entire energy infrastructure sector has taken a hit in 2018 amid concerns over rising interest rates and resistance to large pipeline projects, and those challenges are expected to continue. However, TransCanada already has $36 billion in projects on the go, and more could get the green light in the coming years.

Management anticipates revenue and cash flow will increase enough to support dividend growth of at least 8% per year through 2021. The current payout provides a yield of 5.4%.

Laurentian Bank of Canada (TSX:LB)

This is a bit of a contrarian bet, but the stock has sold off so much this year that it is now priced at just 7.6 times trailing earnings. Laurentian Bank has cleared up its issues with some suspect mortgage loans, and while the bank's small size and reliance on Quebec makes it more vulnerable to a regional economic downturn than its larger peers, the pullback simply appears overdone.

At the time of writing, the stock trades at $38 per share, compared to $56 a year ago. This puts the dividend yield at 6.8%.

The bottom line

Suncor, TransCanada, and Laurentian Bank all look oversold right now and could deliver nice gains once market sentiment improves. If you have some cash sitting on the sidelines in your RRSP, these stocks might be interesting picks while they remain out of favour.

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aswalker