5 Cheap Stocks for RRSP Investors

Description

The stock market is finally giving Canadian savers a chance to buy top-quality dividend stocks at cheap prices.

Let's take a look at five companies that are trading at reasonable multiples right now and should be solid buy-and-hold picks for your RRSP portfolio.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) was formed at the beginning of 2018 through the merger of Potash Corp. and Agrium.

The new company is the world's largest supplier of potash and a leader in nitrogen and phosphate. Nutrien also has an international retail division the provides global growers with seed and crop protection products.

The management team is targeting 2019 earnings per share of US$2.70-$3.00. That's above the US$2.69 the company earned last year.

Nutrien raised the quarterly dividend twice in the past 12 months from US$0.40 to $0.45 per share. Investors who buy now can pick up a $3.6% yield.

The stock is down from the 12-month high of $76 to $66 per share, which is less than 10 times trailing earnings.

Long-term population growth projections should support rising demand for crop nutrients and higher commodity prices.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure sector with pipelines that transport a significant amount of Canadian and American oil and gas production. The company has refocused its strategy on regulated businesses and is divesting non-core assets to shore up the balance sheet and support development projects.

The board is expected to raise the dividend by 10% in 2020 and by at least 5% per year beyond that time frame in line with annual growth is distributable cash flow.

The stock trades at $44 compared to $65 in 2015. The current dividend provides a 6.5% yield.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has done a good job of diversifying its revenue stream over the past two years through more than US$5 billion in acquisitions in the United States. The new assets provide a solid platform to expand in the U.S. and serve as a hedge against a downturn in the Canadian economy.

The stock appears oversold below $100 per share. The dividend should be very safe and now offers a yield of 5.6%.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) is Canada's largest integrated energy company with oil production, refining, and retail businesses.

The company has a strong balance sheet and the financial clout to scoop up cheap assets when the market hits a rough patch. Suncor is growing production and has raised its dividend for 17 consecutive years. That's impressive given the volatility that occurs in the oil sector.

The stock looks cheap at just 10.5 times earnings. At the time of writing, investors can pick up the shares for $37 compared to the $54 high last August. The dividend provides a 4.5% yield.

Barrick Gold

Barrick Gold (TSX:ABX)(NYSE:GOLD) is trading near its 12-month high, but the stock still appears cheap given the strong rise in gold prices in recent months.

With annual gold production expected to top 5.2 million ounces, the US$200 jump in the price of gold, if maintained, would add more than US$1 billion in revenue in the next year.

Falling interest rates, negative bond yields, and global economic uncertainty due to trade tensions should provide additional support for gold prices over the medium term. If the price of gold takes a run at the 2011 high around US$1,900 per ounce, Barrick should have significant upside torque from the current level.

The bottom line

These five stocks all appear reasonably priced today and should prove to be solid buy-and-hold picks for self-directed RRSP portfolios. If you only buy one, I would probably make Nutrien the first pick.

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3. NYSE:ENB (Enbridge Inc.)
4. NYSE:NTR (Nutrien)
5. NYSE:SU (Suncor Energy Inc.)
6. TSX:ABX (Barrick Mining)
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aswalker