RRSP Investors: 2 Cheap Stocks to Help Build Your Pension in 2020

Description

The rally in the stock markets in 2019 has made it harder for investors to find cheap stocks for their RRSP portfolios in the coming year.

Fortunately, there are still opportunities to consider. These are primarily located in the commodity sectors, which tend to be cyclical, and some are industry leaders that could deliver significant returns in 2020 and beyond.

Let's take a look at **Nutrien** (TSX:NTR)(NYSE:NTR) and **Suncor Energy** (TSX:SU)(NYSE:SU) to see why they might be interesting picks for your RRSP right now.

Nutrien

Nutrien started out 2019 on a positive note, but the weather didn't cooperate, and that eventually led to a reduction in revenue guidance and the temporary shutdown of production facilities.

As a result, the stock slipped from a high above $73 in March to a low of $61 as recently as December 11. Bargain hunters are sensing an opportunity and have started to return to the stock. At the time of writing, Nutrien trades for $64 per share and could be setting up for a nice rally in 2020.

What's going on?

A wet spring in the United States delayed planting and hit fertilizer demand. The opposite problem occurred in India, where a late monsoon season meant the country's farmers didn't have enough water in time. Other factors to hit fertilizer purchasing include delayed buying by China due to trade disputes and weak prices for palm oil that has reduced available cash for farmers in southeast Asia.

Nutrien expects demand to recover in 2020, as customers work through existing supplies. The long-term outlook for crop nutrients should be positive. Rising population, changing diets with a growth in demand for meat in developing countries, and loss of farmland to urbanization should all drive stronger sales in the coming decades.

One report predicts global potash sales will increase at 2-3% per year over the next 10 years.

The stock provides a dividend yield of 3.7%, so investors get paid well to wait for the rebound. It wouldn't be a surprise to see Nutrien hit $75 in 2020, especially if the spring weather is favourable in the United States.

Suncor

Canadian oil stocks remain out of favour. In fact, the sector has endured such a difficult time over the past five years that energy-focused analysts are becoming rare. This presents a contrarian opportunity for investors who have a long-term bullish view on the global oil market.

Buying the debt-heavy pure-play producers probably still carries too much risk, but it might be a good time to start a position in the industry leaders, and Suncor deserves to be a top pick.

The company's integrated business structure gives it a built-in hedge against low oil prices, as the refining and retail divisions tend to pick up the slack when the production group takes a hit.

Suncor has a strong balance sheet and isn't afraid to throw its weight around when opportunities arise to add resources and production at fire-sale prices. The company manages to get WTI or Brent pricing for most of its production as a result of favourable access to existing pipelines and growing crude-by-rail shipments.

In the event Trans Mountain and Keystone XL get built, Suncor would benefit greatly.

The company is able to generate strong cash flow at current oil prices and would be a profit machine if oil finds a way to rally in the next couple of years.

The stock appears cheap at the current price of $42, and investors pick up a solid 4% dividend yield.

The bottom line

Nutrien and Suncor are leaders in their respective industries and pay you well to wait for better days. Both stocks appear oversold and could deliver big returns in 2020.

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