RRSP Investors: 2 Cheap Canadian Stocks to Harness the Global Economic Recovery

Description

The IMF says the coronavirus pandemic is causing the worst global economic downturn since the Great Depression.

IMF report

The latest IMF report highlights the dire economic situation caused by the COVID-19 pandemic. In the April 14th publication, the IMF's research department said it expects the global economy to contract by 3% in 2020. This assumes the outbreak runs its course in the next couple of months and lockdowns start to lift to restart economic activity.

The outlook for this year is certainly bleak, but the rebound in 2021 is expected to deliver global economic growth of 5.8%. That's an impressive recovery, and investors should position their portfolios to benefit.

Let's take a look at two top Canadian stocks that give RRSP investors exposure to a global economic recovery.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is an alternative asset management firm with more than $540 billion of assets spread out across various sectors. The main areas of interest include real estate, renewable energy, infrastructure, private equity, and credit. The holdings include 2,000 assets located in more than 30 countries.

The company has a strong history dating back 120 years, and management leverages all that experience to make strategic investments in long-life, high-quality assets and businesses.

A solid balance sheet and access to significant capital give Brookfield Asset Management an advantage when top assets become available at cheap prices. The global economic rout is putting pressure on its real estate portfolios, but there will also be opportunities to deploy funds to position for the rebound.

The stock trades near $47 compared to $60 in February. Investors who had the courage to buy at the March closing low near $32 are already sitting on some nice gains, but more upside should be on the way once the global economy gets back on its feet.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades for close to $54 per share compared to $74 before the market crash.

Canada's third-largest bank invested billions of dollars in recent years to build a significant presence in Latin America. That exposure is part of the reason the stock is down so much. The core focus is on the Pacific Alliance countries, including Mexico, Peru, Chile, and Colombia. The reliance on commodity markets puts these economies at risk of significant downturns during the current crisis.

The long-term outlook, however, should be positive in the international group. Banking penetration is less than 50% in the Pacific Alliance countries. A rising middle class will boost demand for loans and investment products.

In Canada, additional volatility should be expected in the banking sector. The market might not yet realize the full impact of the lockdowns on businesses and homeowners. Defaults are expected to surge, but Bank of Nova Scotia has the capital to ride out the rough times, and the dividend should be safe.

Investors who buy the stock today can pick up a 6.7% yield. Any dip back to the March low around $47 should be viewed as a buying opportunity.

The bottom line

Brookfield Asset Management and Bank of Nova Scotia are high-quality businesses. Investors who own the shares get good access to global markets ahead of the expected economic rebound.

If you are searching for cheap stocks to add to a buy-and-hold RRSP portfolio, these names deserve to be on your radar.

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