UNDERVALUED: 3 of the Biggest Canadian Stocks to Buy Today

Description

It is never a bad time for long-term investing. Even though stock markets are rallying amid uncertainties, there are still worthy opportunities for long-term, conservative investors. And, more importantly, one doesn't need to have the fortune to begin investing in stocks. If you are sitting on as little as $2,000 of cash, these TSX stocks could give you handsome returns in the next five or 10 years.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is one of the country's biggest banks with diversified operations in Canada and Latin America. The pandemic-driven pressures will continue to dent its financials in the short term. However, the reason for recommending BNS for long-term investors is its valuation and dividends.

Scotiabank stock is currently trading at a price to book value of one times — cheaper compared to peers. On the price-to-earnings front, BNS stock is trading below 10 times. That indicates a discounted valuation against its average historical valuation as well.

Scotiabank's dividend streak of 187 years is highly comforting to investors. It yields 6.5% at the moment, almost double than TSX stocks on average.

Scotiabank stock has lost almost 25% so far this year. Although many economic indicators suggest a stable recovery, Canadian bank stocks like BNS have been trading in a narrow range lately. I don't see any significant gains from BNS in the next few quarters. However, its credit portfolio and diversified earnings will fuel the steady recovery and, the stock will outperform peers in the long term.

Canadian Natural Resources

While Canadian energy stocks at large have fallen almost 70% this year, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) stock has lost 40% in the same period. That is still undoubtedly a nasty performance from the integrated energy giant. However, there is a reason why it has outperformed by such a wide margin.

The low-cost, integrated energy company Canadian Natural has a diversified product base of natural gas, light and heavy crude oil, and natural gas liquids. Also, it has a strong liquidity position, which will help it weather these challenging times.

That is precisely why Canadian Natural was among the very energy companies that not just maintained but increased dividends in 2020. The stock yields 8%, significantly higher than its historical yield.

While CNQ stock is not wholly immune to short-term shakeouts, it is much better placed against peer TSX energy stocks. Its solid dividends and attractive valuation will likely help it outperform broader energy markets.

Rogers Communications

If you want to play the 5G rally, consider Canadian telecom giant **Rogers Communications** (TSX:RCI.B)(NYSE:RCI). It has been well ahead in rolling out 5G infrastructure in the country compared to peers. During its third-quarter earnings last month, Rogers confirmed that it has deployed a 5G network in 130 cities in the country.

Rogers's third-quarter results indicate a slow but steady recovery. Though its revenues for the quarter marginally fell compared to last year, they improved 16% against Q2 2020. Net income also grew by 85% sequentially.

Notably, Rogers stock looks undervalued, considering its improving financials. Stable cash flows, decent dividend yield and, most importantly, a vital lead in the 5G race call for a premium valuation. However, Rogers is trading at a discounted valuation and could attract bargain hunters.

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2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:RCI (Rogers Communications Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CNQ (Canadian Natural Resources Limited)

6. TSX:RCI.B (Rogers Communications Inc.)

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