



TFSA Investors: 2 Top Canadian Stocks to Buy for 2021

Description

How did your stock portfolio perform in 2020? Many stocks made new highs, while some are still reeling under the pandemic pressure. The new year will be a good time to review and rebalance your portfolio. Here are two top Canadian stocks you can consider buying in your Tax-Free Savings Account (TFSA) for 2021.

Suncor Energy

Higher growth prospects, a discounted valuation, and stable dividends: **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock checks all these boxes. The year 2020 was evidently merciless for all energy companies, including Suncor Energy.

But this \$34 billion integrated energy giant managed relatively well by trimming dividends and various other cost-cutting measures.

The oil demand return, mainly from India and China, could fuel a crude oil price rally next year. Interestingly, even if crude oil prices remain at current levels, Suncor Energy remains cash flow positive, given its breakeven point at around US\$35 per barrel. Also, its downstream operations will give an important boost to its top line once mobility restrictions wane post-pandemic.

Suncor Energy stock has soared almost 60% since late October on the vaccine news. Despite the rally, the stock is still undervalued and suggests a continued upward march.

It currently yields 3.8%, marginally higher than TSX stocks on average. If you invest the TFSA contribution limit of \$6,000 in Suncor stock, it will generate \$228 in [dividends](#) annually.

Energy is still one of the most beaten-down sectors, and investors are downplaying its recovery prospects. Suncor Energy stock was trading at around \$45 in January this year, almost 50% higher than its current levels.

Once mass vaccination gathers momentum and oil demand normalizes, Suncor stock could race to

those pre-pandemic levels.

B2Gold

Top Canadian gold miner **B2Gold** ([TSX:BTO](#))([NYSE:BTO](#)) stock is an apt pick for 2021. It is a \$7.7 billion senior gold producer that operates three mines in Namibia, Mali, and Burkina Faso. It aims to produce over one million ounces of gold this year.

Like peers, B2Gold more than doubled its earnings this year compared to 2019.

Although its earnings might not double next year, B2Gold will likely continue superior earnings growth in 2021. Higher production from its quality mines and higher realized gold prices could boost its bottom line next year as well.

Interestingly, the stock is trading at an insanely cheap valuation at the moment. On the vaccine arrival news last month, investors dumped gold and related stocks and switched to riskier bets. However, BTO stock saw an exaggerated impact. It is currently trading at a price-to-earnings valuation of 12, which is significantly lower than the industry average.

B2Gold started paying dividends just last year, but its [dividend increase](#) has been quite encouraging. For the fourth quarter of 2020, it will pay a dividend of \$0.04 per share, implying an annualized yield of 2.3%. That's one of the highest yields across gold miner stocks.

Bottom line

Investing in these two TSX stocks via a TFSA will make the capital gains and dividends absolutely tax-free. These tax dollars saved within the TFSA will play a big role in wealth creation in the long term.

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1. Coronavirus
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:BTO (B2Gold Corp.)
4. TSX:SU (Suncor Energy Inc.)

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