



Canadian Investors: Here Are My 3 Stock Picks for 2021

Description

This year, the Canadian equity markets were on a roller-coaster ride. Amid the pandemic, the **S&P/TSX Composite Index** fell 35% in March. However, supported by the stimulus packages and the vaccine euphoria, the index has recouped most of its losses to trade 1.9% lower from its all-time high. Meanwhile, the rising COVID-19 cases and high unemployment are a cause of concern. So, amid the uncertain outlook, I believe these three TSX stocks could beat the broader equity markets in 2021.

Canopy Growth

Amid the renewed interest in cannabis stocks after Joe Biden's victory in the United States' presidential elections, I have chosen **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) as my first pick. Although the company is trading over 14% higher for this year, it is still down around 50% from its all-time high. The structural issues in the cannabis sector have weighed heavily on the companies stock.

However, cannabis has been gaining popularity in the United States. Currently, 36 states have legalized medical cannabis, while 15 states have legalized it for recreational usage. Meanwhile, more states are also warming up to cannabis amid the pandemic-induced budgetary shortfalls. So, the United States offers immense growth potential for cannabis players.

Meanwhile, Canopy Growth has taken several initiatives to expand its operations in the United States to capture the rising demand. In September, it had launched a portfolio of hemp-derived CBD products in association with Martha Stewart. Its subsidiary, BioSteel Sports Nutrition, has joined hands with Manhattan Beer and Reyes Beer Division to expand the distribution of its ready-to-drink sports beverages across the United States. The company had also launched an e-commerce website to improve the accessibility of its products.

However, Canopy Growth is yet to become profitable. Meanwhile, the company's management has taken several cost-cutting measures to move towards profitability. The company's management expects to report positive EBITDA in fiscal 2022. Given its high-growth prospects, [I am bullish on Canopy Growth](#).

goeasy

goeasy ([TSX:GSY](#)), which provides financial services to subprime borrowers, is my second pick. Amid the pandemic, investors became cautious about goeasy due to its significant exposure to non-prime borrowers, as the pandemic severely impacted them. However, the government's aid lowered delinquencies, thus strengthening the company's underlying business.

The reopening of the economy, relaxation in stay-at-home orders, and the rollout of multiple vaccines have increased the consumer demand and loan origination volume. Meanwhile, amid the pandemic-infused uncertainty, Canadian citizens have been saving a lot. **CIBC** estimates that Canadian households were sitting on \$90 billion of cash, which is equal to 4% of consumer spending. The pent-up demand could drive economic activities in 2021, thus driving loan origination volumes.

Further, goeasy's wide range of product offerings, new delivery channels, and diversified revenue streams could allow the company to capitalize on the increased demand.

Suncor Energy

Amid the hope of life and business returning to pre-pandemic ways, oil prices are on upward momentum since **Pfizer** made the encouraging announcement on the vaccine on November 9. The rise in oil prices has brought some relief to the energy sector, including **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). The company's stock price rose over 43% since the beginning of November. Despite the recent rise, the company trades close to 50% lower from its all-time high, providing an excellent buying opportunity.

Suncor Energy's management [projects](#) its production to go up by 10% next year, while its operating cash cost will fall by 8%. Further, the company's downstream utilization rate to improve by 6% to 93%. Along with these improved operating metrics, higher oil prices could drive Suncor Energy's stock prices in 2021.

The U.S. Energy Information Administration projects Brent oil prices to average around \$49 per barrel in 2021, representing a 14% growth from the expected average of \$43 per barrel in the fourth quarter of 2020. Further, the company pays quarterly dividends of \$0.21 per share, with its dividend yield standing at 3.9%.

CATEGORY

1. Cannabis Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:GSY (goeasy Ltd.)
4. TSX:SU (Suncor Energy Inc.)
5. TSX:WEED (Canopy Growth)

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