



## 14 Top TSX Stocks to Buy in January 2021

### Description

We asked our Foolish writers for their top stock picks for January 2021 – here are their choices:

#### Nicholas Dobroruka: Kinaxis

To kick off a fresh year, my top stock for the month of January is tech company, **Kinaxis** ([TSX:KXS](#)).

High-flying [tech stocks](#) stole the show in 2020. Investors witnessed an incredible bull run following the COVID-19 market crash, which was largely driven by the tech sector.

Kinaxis initially rebounded very well from last year's market crash but has since run out of steam. The tech company saw its share price more than double from April to early August. Since August, though, the stock is down 20%.

The tech company provides an invaluable service for its customers. Its cloud-based subscription software helps with demand and supply planning, inventory management, and order fulfillment. All of which have been extremely important in a year that saw massive changes in consumer shopping behaviour.

With plenty of growth still left in the tank, this is one tech stock that you'll want to buy while it's trading at a [rare discount](#).

*Fool contributor Nicholas Dobroruka has no position in any of the stocks mentioned.*

#### Amy Legate-Wolfe: Fortis

If there's one thing Canadians investors need in the new year, it's security. As lockdowns sweep across the country, it's a good time to look back and see what stocks managed to remain stable even during a market crash. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is one of those stocks.

The company provides utilities across North America and continues to grow through acquisitions even

during this downturn. During the latest earnings report, management announced it's been business as usual. with adjusted earnings per share at \$0.65, dividend growth around 6% each year, and even a new \$19.6 billion five-year capital plan.

As for shares, investors have not seen much movement this year since the crash, but over the last decade the company sports a 10-year compound annual growth rate (CAGR) of 6.25% making it the perfect buy and hold stock for decades to come.

*Fool contributor Amy Legate-Wolfe does not own shares in any of the stocks mentioned.*

## Ryan Vanzo: Brookfield Renewable Partners

My top stock for January is **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). The story just keeps getting better for this stock.

Oil demand remains far below 2019 levels due to COVID-19. We could be in a new normal. **BP** believes global demand for oil has already peaked, and they are clearly incentivized to believe otherwise.

Over the coming decades, the world will shift away from fossil fuels, towards renewable energy. Brookfield is one of the biggest operators in the space and will directly benefit from this global transition that will involve trillions of dollars. This is a stock you can buy and hold forever.

*Fool contributor Ryan Vanzo has no position in Brookfield Renewable Partners.*

## Robin Brown: Enghouse Systems

**Enghouse Systems** ([TSX:ENGH](#)) had a bit of a revenue miss on its recent fourth quarter. Consequently, the stock took a 10% haircut. Yet, for patient investors, this is a great buying opportunity for 2021. The company is a free-cash-flow juggernaut. In 2020, it produced a whopping \$150 million of free cash flow and a 30% free cash flow margin!

After announcing a \$1.50/share special dividend, some investors got spooked that growth might be slowing. Yet, I see it more as "growth might be delayed a few quarters." In the meantime, you get to own a cash cow stock, with ~\$150 million of net cash, a great line of digital products (video conferencing, data/network visualization), and attractive upside once that cash is deployed.

*Fool contributor [Robin Brown](#) owns shares of Enghouse Systems Ltd.*

## Karen Thomas: Peyto Exploration & Development

My top stock pick for January 2021 is a slightly different one from my recent picks. I'm looking ahead to a world with a vaccine. I'm looking ahead to a time when natural gas gets the credit it deserves.

**Peyto Exploration & Development Corp.** ([TSX:PEY](#)) is one of the lowest-cost natural gas producers. It has a repeatable and predictable asset base. And it has been focused on profitability since before this was the norm. All of this shows how Peyto is the perfect natural gas stock to buy if you believe

natural prices are heading higher.

Natural gas is one of those commodities that doesn't get the recognition it deserves. It's comparatively cleaner than many energy sources. It's abundant. And it's cheap. It can help fuel an economic recovery. It will also help transition us to clean energy. Peyto has held its own during these last few years of rock bottom natural gas prices. It'll be ready for stronger prices next year.

*Fool contributor Karen Thomas owns shares of Peyto Exploration & Development Corp.*

## Jed Lloren: Nuvei

My top stock for January is **Nuvei** ([TSX:NVEI](#)). This company is an up-and-coming contender within the digital payments industry. Nuvei made a big splash on its first day as a publicly-traded company by opening as the largest tech IPO in Canadian history.

Led by a visionary founder-CEO, Philip Fayer, the company seeks to create a global payments monster. Nuvei has done an excellent job at integrating leading players in emerging industries into its platform (e.g. bet365 is a Nuvei customer). The company has recently been making moves to incorporate American betting companies and cryptocurrency exchanges onto its platform.

With forward-thinking moves like these, it is only a matter of time before investors start pouring into Nuvei en masse.

*Fool Contributor Jed Lloren has no position in any company mentioned.*

## Jitendra Parashar: Magna International

**Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is my top stock pick for January. [Magna's recent big investments](#) to form a new joint venture with the South Korean tech giant LG Electronics reflects its continued efforts to benefit from the rising electric vehicle (EV) demand.

Most electric car companies outperformed the broader market by a wide margin in 2020 — primarily because of a significant electric car demand surge. The EV demand is likely to grow further in the coming years. The United States President-elect Joe Biden has already expressed his love for environment-friendly vehicles during the presidential campaign. After taking the oath of office in January, his administration is likely to prioritize EV-friendly policies and infrastructure to better compete with China. It would encourage high competition in the EV market — leading to more opportunities for many EV technology companies and parts suppliers like Magna International.

Magna's stock rose by around 50% in Q4 2020. Its ongoing fast financial recovery after the COVID-19 crisis and focus on EVs could help its stock yield even better returns in the coming quarters as well, I believe.

*Fool contributor [Jitendra Parashar](#) has no position in any of the stocks mentioned.*

## Kay Ng: Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) is my top pick for January. The global convenience store consolidator has a proven track record of value creation through M&A and organic growth. It draws synergies from its acquisitions, learns from them, and applies the knowledge across its network.

Couche-Tard's high return on equity of more than 20% since fiscal 2011 is absolutely admirable. It's a defensive investment during the pandemic as well.

Many of its stores are attached to gas stations. The company will be ready to convert them to EV charging stations, as it has been learning and experimenting for a few years at its lab in Norway, where there's a higher percentage of EV usage.

Importantly, the large-cap growth stock trades at a good valuation today and has plenty of dry powder to pounce on fitting acquisitions.

*Fool contributor Kay Ng owns shares of Alimentation Couche-Tard.*

## Demetris Afxentiou: Shaw Communications

I am a big fan of investing in telecom stocks. The reason for that comes down to the long-term defensive appeal they offer, the growing necessity of the service they provide, and the appetizing dividends they continue to pay. That weighed heavily on my top pick for this month, **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)).

Shaw is the smallest of the Big Telecoms in Canada. The company has been actively growing out its wireless network in recent years, largely feeding off its bigger peers. Shaw manages this feat by offering more favourable options to subscribers that have worked well during earnings season.

Shaw recently announced a new mobile offering dubbed Shaw Mobile. The new service is targeted to existing internet and TV subscribers allowing them to bundle service and reap savings. This not only caters to the defensive appeal of the stock but also sets up an avenue for additional growth.

In terms of a dividend, Shaw offers investors a juicy monthly dividend that works out to an impressive 5.28% yield.

*Fool contributor Demetris Afxentiou owns shares of Shaw Communications.*

## Rajiv Nanjapla: TransAlta Renewable

**TransAlta Renewables** ([TSX:RNW](#)) has been on a roll this month, with its stock price rising over 22%. Earlier this month, the company acquired three assets from TransAlta Corporation, which could increase its power generating capacity by 303 megawatts. These assets could also contribute \$45 million to the company's adjusted EBITDA annually. So, these acquisitions appear to have increased investors' confidence, raising the company's stock price.

Meanwhile, I believe the upward momentum in TransAlta Renewables' stock price could continue in January as well, given its high growth prospects and the growing interest in renewable energy. The company's management has planned to make \$890 million to \$960 million investment on high-returning projects over the next couple of years, which could boost its financials. Further, the company sells the power generated from its assets through long-term power-purchasing agreements, which insulates its financials from volume and price fluctuations.

*Fool contributor Rajiv Nanjapla has no position in any of the stocks mentioned.*

## Puja Tayal: Enbridge

My top TSX stock pick for January is pipeline operator **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). The company's low-risk business model proved its [resiliency](#) in the pandemic era, making it a buy in a market recovery as well as a market crash. The company expects oil volumes transmitted through its pipelines to recover in 2021. Moreover, it expects three new pipeline projects to come online in 2021 and start contributing towards revenue.

Enbridge expects all these growth drivers to accelerate its distributable cash flow (DCF) per share growth to 4.3% in 2021 from 1.8% in 2020. As fundamentals improve, the stock will surge to the pre-pandemic level, giving both dividend and capital appreciation.

*Fool contributor Puja Tayal has no position in the companies mentioned.*

## Andrew Button: Canadian Tire

**Canadian Tire Corp** ([TSX:CTC.A](#)) is a perfect stock to play the coming COVID-19 recovery. The stock fell dramatically in the March market crash, but recovered after second and third quarter earnings beats. In the first quarter, the company lost \$0.22 per share, mainly because of the impact of COVID-19. The pandemic closed retail stores and crushed demand for gasoline, both factors that impacted CTC.A's sales. In the second quarter, we saw the first signs of recovery, with e-commerce sales up 400% year-over-year—although earnings remained negative.

It was in the third quarter that things really turned around. In that quarter, EPS was up 43%, same-store sales were up 19%, and e-commerce sales were up 178%. Clearly, the COVID-19 re-opening benefitted CTC.A in the third quarter. The same is likely to occur as we re-open from the second wave. This time, we have an actual vaccine in the process of being rolled out, which makes the prospect of a "permanent" re-opening more attainable than ever. Should that happen as expected, Canadian Tire is going to thrive.

*Fool contributor Andrew Button has no position in any of the stocks mentioned.*

## Daniel Da Costa: Xebec Absorption

For the second consecutive month, my top pick is **Xebec Adsorption Inc** (TSXV:XBC). The small-cap growth stock grew by more than 35% in December yet still offers significant value.

Xebec is a cleantech stock that builds equipment to purify and transform raw gasses into hydrogen and renewable natural gas. Demand for this equipment is increasing rapidly, as companies are incentivized to reduce their carbon emissions.

Xebec is one of the leaders in this industry and its recent acquisitions in December has only strengthened its prospects for long-term growth. This potential makes Xebec the perfect growth stock to add to your portfolio in January.

*Fool contributor Daniel Da Costa owns shares of Xebec Adsorption Inc.*

## David Jagielski: Corus Entertainment

**Corus Entertainment** ([TSX:CJR.B](#)) is my top pick for January. The company reports earnings this month and I'm expecting a strong performance from them. Corus is already coming off an improved fourth quarter where it posted a solid profit despite revenue declining due to COVID-19.

However, the company's CEO Douglas Murphy stated that "TV is on their way back already," suggesting that future quarters could be stronger for ad sales. And with sports leagues back up and running, it's likely there will be some more advertising spend in the upcoming quarter, which should help the media company deliver a good quarter when it reports its first-quarter earnings.

Down 20% in the past year, Corus stock could be overdue for a big rally and could be a great value buy right now.

*Fool contributor David Jagielski owns shares of Corus Entertainment.*

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. NYSE:MGA (Magna International Inc.)
5. NYSE:SJR (Shaw Communications Inc.)
6. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
7. TSX:CJR.B (Corus Entertainment Inc.)
8. TSX:CTC.A (Canadian Tire Corporation, Limited)

9. TSX:ENB (Enbridge Inc.)
10. TSX:ENGH (Enghouse Systems Ltd.)
11. TSX:FTS (Fortis Inc.)
12. TSX:KXS (Kinaxis Inc.)
13. TSX:MG (Magna International Inc.)
14. TSX:NVEI (Nuvei Corporation)
15. TSX:PEY (Peyto Exploration & Development Corp)
16. TSX:RNW (TransAlta Renewables)
17. TSX:SJR.B (Shaw Communications)
18. TSX:XBC (Xebec Adsorption Inc.)

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## **Category**

1. Investing

## **Date**

2025/07/17

## **Date Created**

2021/01/04

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