



TFSA Investors: Bet On a 2021 Economic Recovery

Description

There's finally light at the end of the tunnel. Most of the developed world is rolling out the vaccine, and that means the global economy could rebound sharply in 2021. Luckily, Canadian investors can bet an additional \$6,000 on this recovery through their [Tax-Free Savings Account \(TFSA\)](#).

Here's the best way to play this recovery and shield your potential gains from taxes.

Economic rebound

Travel, energy usage, manufacturing, and consumption all dipped during the lockdown. With nearly every country in a recession, this lack of demand was reflected in the commodities sector.

As the global economy reopens, factories and manufacturing plants should resume production while consumers should resume consumption at pre-crisis levels. That means demand for essential raw metals such as copper, silver, lithium, and nickel could skyrocket in 2021.

Metal prices have surged every time global gross domestic product has expanded. This year, investors expect government stimulus measures to propel GDP growth to unprecedented levels. In fact, **Morgan Stanley** projects strong global GDP growth of 6.4% for 2021.

Luckily, Canada's metal mining sector is well positioned to benefit from this rebound. Listed mining stocks should be on your TFSA radar this year. Perhaps the most noteworthy is Toronto-based mining giant **Lundin Mining** ([TSX:LUN](#)).

Top TFSA stock

Lundin is a diversified base metal company that continues to offer tremendous investment opportunities. The stock is up by more than 40% over the past year, having benefited from a solid commodity pricing environment.

The mining stock is ideal for investors eyeing exposure in the copper mining business where rising commodity prices have been the order. With fundamentals for copper remaining solid, Lundin Mining

should be in for impressive earnings reports in 2021.

Lundin is not a pure copper play. The diversified nature of its mining operations ensures every downside risk is well covered. The company generates more than a third of its revenues from other metals. Likewise, the company's operations are geographical. Investors should expect impressive revenues on zinc and nickel prices moving higher.

Dividend yield

Income-focused investors should have something to cheer about with Lundin Mining at a time when most companies are cutting dividends to conserve capital. The company is still paying an impressive dividend yield.

Lundin pays a 1.4% dividend yield, projected to grow by about 50% in the next quarter. Future dividend increases should provide a decent income for investors seeking long-term income growth.

While the stock is currently trading with a price to earnings (P/E) of 40, a 40% plus rally could explain the high valuation. Lundin is a pure dividend play, as it is expected to continue paying a decent dividend on commodity prices edging higher.

Bottom line

The mining sector is often overlooked but is integral to the global economy. An economic recovery should be reflected in higher demand for raw materials, ultimately benefiting Canada's mining stocks.

This is why robust dividend-growth stocks like Lundin Mining should be on your radar for your TFSA portfolio in 2021.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:LUN (Lundin Mining Corporation)

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