3 Stocks That Can Beat the TSX in 2021

Description

Investors are always looking to buy stocks that have the ability to generate market-beating returns over the long term. After a volatile year, stocks are still trading at a premium, despite a market crash in Q1 of 2020. This suggests it might be time to look at individual companies that are undervalued or that may make a comeback in 2021 after a rough year.

We'll look at three stocks that can outperform the broader markets in 2021.

Canadian Utilities

Shares of **Canadian Utilities** (TSX:CU) are trading at $31, which means it has lost over 20% in market cap in the last 12 months. However, this provides investors an opportunity to buy shares of a blue-chip stock at a lower valuation.

The pullback in CU's stock price has meant that the company now has a forward yield of 5.6%. This suggests a $10,000 investment in Canadian Utilities will help you derive $560 in annual dividend payments.

Canadian Utilities has increased its dividend payments each year for close to 50 years, which is a record among stocks listed on the TSX. It indicates the company has a robust business model that is able to withstand multiple economic cycles.

In the last five years, CU has increased dividends by 33%, making it one of the top stocks for income investors. Canadian Utilities is a defensive stock that is part of a recession-proof industry and should be on your buy list for 2021.

Booking Holdings

Another interesting stock to watch that has been under the pump is travel platform **Booking Holdings** (NASDAQ:BKNG). Its stock price fell from US$2,000 at the start of January 2020 to $1,100 in March

2020.

However, it has made a spectacular comeback to trade at $2,200 on last look. The COVID-19 pandemic brought the world to a screeching halt, as countries shut their borders and governments announced lockdowns.

Analysts tracking Booking Holdings expect the company’s sales to fall by 55.2% to $6.76 billion in 2020. While the company is forecast to increase sales by 53% in 2021 to $10.34 billion, it is still lower than Booking’s 2019 sales of $15.07 billion.

Investors are surprised that Booking has made a strong comeback since last March. Its sales in the first nine months of 2020 were down 53% year over year, and its profits fell by 94%. However, the company will still end 2020 with earnings per share of $2.53.

Booking has been a wealth creator for long-term investors, and its stock is up 407% in the last 10 years.

Enbridge

The energy sector has also been pummeled in 2020. Canadian giant **Enbridge** (TSX:ENB)(NYSE:ENB) saw its stock fall by 18% in the last year. Alternatively, this decline has meant Enbridge’s dividend yield is now a tasty 7.8%.

Enbridge is a diversified energy company that has a portfolio of cash-generating assets. It derives over 90% of its EBITDA from long-term contracts making the company almost immune to commodity prices.

Enbridge has increased its dividends at an annual rate of 11% since 1995 and is one of the top picks for investors looking to generate a stable stream of dividend income. The domestic heavyweight managed to offset headwinds such as lower volumes by focusing on cost savings, low interest rates, and higher rate settlements.

This allowed Enbridge to maintain its dividend payments amid a very turbulent year.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NASDAQ:BKNG (Booking Holdings)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:ENB (Enbridge Inc.)

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Author
araghunath