TFSA Investors: 2 of the Best Canadian Stocks to Buy for 2021

Description

Now is the right time to reshuffle your TFSA (Tax-free Savings Account) investment portfolio and add a few high-quality stocks to it, as 2021 could turn out to be a profitable year for equity investors. The widespread vaccine distribution is likely to accelerate the pace of economic recovery, driving corporate earnings growth. Moreover, consumer demand is expected to improve, which should support sales and earnings growth.

Here are two top Canadian stocks you can consider adding to your TFSA portfolio for 2021.

Suncor Energy

With a steady increase in crude prices and increasing economic activity, **Suncor Energy** (TSX:SU)(NYSE:SU) is a top recovery play for 2021. Despite upward pricing pressure and continued challenges from the pandemic, crude prices have recovered sharply and are trading near an 11-month high, bringing respite to the struggling energy companies.

I believe the turnaround in Suncor Energy stock will gather pace with the recovery in oil prices and an uptick in demand. Suncor's long-life assets, integrated business model, and low-cost base position it well to benefit from the recovery in demand.

Suncor's financial performance is likely to improve significantly on a quarter-over-quarter basis. I believe its funds from operations could continue to increase sequentially. Moreover, its operating loss is expected to reduce significantly.

Besides stock price appreciation, investors are also likely to benefit from Suncor's decent dividend payout. The company offers an annual dividend of $0.84 a share, reflecting a yield of 3.5%.

The long-term energy fundamentals remain strong, and I believe the energy demand is likely to ramp up significantly in the post-COVID world, boosting Suncor stock. Moreover, Suncor could return to profit in 2021, as demand normalizes and costs trend lower.

Scotiabank

Banks are poised to benefit significantly from economic reopening and an increase in credit demand. I believe **Scotiabank** (TSX:BNS)(NYSE:BNS), with its exposure to high-quality growth markets, remains well positioned to gain from the credit uptick.

While low interest rates pose challenges, Scotiabank's loans and deposits are expected to mark good growth in 2021 and support its net interest margin. Also, a sharp sequential decline in provisions for credit losses and easy year-over-year comparables are likely to cushion Scotiabank's earnings.

The bank also looks attractive on the valuation front. Scotiabank trades at a next 12-month P/E ratio of 10.1, which is lower than the peer group average of 10.7. Moreover, its P/BV multiple of one is about 23% lower than the peer group average of 1.3.

Besides its low valuation, Scotiabank is a top income stock. It has consistently paid dividends over the past several years and increased it at a compound annual growth rate of 6% over the last decade. Moreover, it offers a high yield of 5.2%.

Bottom line

Shares of both these companies look attractively priced at the current levels. The pickup in demand and vaccine distribution is likely to act as a strong catalyst and support the uptrend in Suncor Energy and Scotiabank stocks.

Notably, investment in these two top Canadian stocks via your TFSA will let you earn dividend income and capital gains tax-free.

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