



The 3 Best Canadian Recovery Stocks to Buy in 2021

Description

Last year was the year of the pandemic. The year 2021 is the recovery year, where many companies that took a severe hit from the pandemic will return to business. Now you have to maintain caution, because not all companies will recover after the government fiscal stimulus ends. Only the ones with strong liquidity that can withstand the rocky recovery will grow in the post-pandemic world. I bring to you three Canadian stocks that will surge double digits to the pre-pandemic level if the economy recovers in 2021.

Suncor Energy stock

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock dropped 63% in the March 2020 sell-off, as the pandemic-induced lockdowns reduced oil demand and oil price. Suncor's profits turned to losses, as it was forced to sell its inventory below its production cost. The company slashed its dividend by 55% in May 2020 and announced cost-cutting measures to preserve cash.

The [road to recovery](#) won't be without hiccups. The demand for diesel and gasoline has increased as people are traveling via cars again. However, the demand for jet fuel remains low, as international travel restrictions keep the planes grounded. Suncor will face a volatile recovery with some months of high demand and some months of low demand. It has \$8.6 billion liquidity that can help it withstand the pandemic crisis and recover with a surge in oil demand.

Suncor stock has already surged 55% since November 2020, when the vaccine news hit the market. Its journey to the pre-pandemic level of \$40 represents a recovery upside of 70%. In the meantime, it will pay a dividend yield of 3.6%.

RioCan REIT stock

RioCan REIT ([TSX:REI.UN](#)) stock dropped 46% in the March 2020 sell-off, as the lockdown reduced rent collections and occupancy ratio of retail stores. After reporting a loss in the second quarter, it posted a profit, as it benefited from the government's Canada Emergency Commercial Rent Assistance (CECRA) for small businesses. But RioCan [reduced its monthly dividend](#) per share by 33% in December 2020 to preserve cash in the light of the uncertainty around the pandemic.

RioCan's recovery has some hiccups, as some retailers are opening shops while some are closing their stores permanently. It has over \$800 million in liquidity and \$8.7 billion in unencumbered assets, which it can use to raise more cash.

RioCan's stock has already surged 20% since November 2020 and has a recovery upside of 50%. In the meantime, it will pay a dividend yield of 5.4%.

TC Energy stock

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) stock dropped 27% in the March 2020 sell-off as the lockdown reduced oil demand. The stock fell as a dip in oil demand reduced uncontracted transmission volumes. It also suffered from delays in regulatory approval for some of its projects. This stock was more resilient than others as its diversified revenue streams kept cash coming. It earns revenue by transmitting oil and natural gas through pipelines, storing natural gas, and generating power from nuclear and natural gas.

While Suncor and RioCan slashed dividends, TC Energy increased its 2020 dividend per share by 8%. It plans to increase its dividends by another 8-10% in 2021. The company will see a recovery when oil demand surges and it secures approvals for its pending projects. As these projects come online, TC Energy's cash flow will surge, thereby increasing dividends and stock price.

TC Energy's stock has already surged 12% since November 2020 and has a recovery upside of 24%. In the meantime, it will pay a dividend yield of 5.7%.

Investor corner

There could be another stock market crash in 2021 when the government removes the stimulus packaged. At that time, the above three stocks are likely to see the lowest dip. But recovery will drive these stocks significantly.

By adding these three stocks to your Tax-Free Saving Account portfolio, you can mitigate your risk from a market crash and boost your returns from a market recovery.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
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TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:SU (Suncor Energy Inc.)
5. TSX:TRP (TC Energy Corporation)

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