



Got \$1,000 to Invest? 2 Undervalued Stocks I'd Buy Now

Description

The **TSX Index** continues to hit new highs, but Canadian investors can still find deals in the market.

Why Barrick Gold stock appears cheap right now

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) traded for \$40 per share last summer when gold topped US\$2,000 per ounce. At the time of writing, Barrick trades near \$26 while gold sits close to US\$1,750.

The pullback in the price of gold coincided with a sell-off in U.S. treasuries, which drove up bond yields. The U.S. 10-year treasury had a yield of 0.5% at its lowest point in early August. Since then, it soared as high as 1.75% and currently provides a yield near 1.65%.

Gold doesn't offer any yield, so the yellow metal often takes a hit when treasury yields increase due. This is due to the rise in the opportunity cost of owning gold.

It's likely the bond sell-off got a bit ahead of itself. As yields pull back, gold should catch a new tailwind.

At the same time, the rally in Bitcoin and other cryptocurrencies might have lured investors away from gold in recent months. If the crypto bubble pops, a flood of funds could return to the gold market.

Barrick Gold makes good money at the current gold price, and the company's copper operations should also deliver strong results in the next few years. Barrick Gold finished 2020 with zero net debt and plans to give shareholders a special US\$750 million return of capital this year on top of the dividend. The two payouts combined represent an annualized yield of about 3% at today's stock price.

Barrick tripled the size of the [dividend](#) in the past three years and more gains should be on the way. Even if gold stays around the US\$1,700 level Barrick Gold should be a free cash flow machine.

The stock appears [undervalued](#) right now, and it wouldn't be a surprise to see it head back to \$35 by the end of the year.

Why Suncor Energy stock could rally in the back half of 2021

Suncor ([TSX:SU](#))([NYSE:SU](#)) soared from \$15 per share last October to \$29 in March, supported by a rise in WTI oil from US\$36 per barrel to as high as US\$66. At the time of writing, oil is back down to US\$59, and Suncor trades close to \$26 per share.

Suncor is best known as an oil producer, but it also has large refineries that make gasoline, diesel fuel, and jet fuel. In addition, Suncor operates roughly 1,500 Petro-Canada retail locations. Airlines in the United States are starting to hire again on the anticipation of a boom in holiday travel. In Canada, people will likely hit the road this summer in massive waves once vaccines become more widely distributed and restrictions ease.

Suncor makes good money on its oil production at the current price. The downstream businesses should rebound in the second half of the year and through 2022. Analysts predict oil could go as high as [US\\$80 this year](#) and potentially take a run at US\$100 at some point by 2025 due to a lack on investment across the industry.

Suncor traded for more than \$40 per share before the pandemic when oil prices were only slightly higher than current levels, so there is decent upside opportunity for investors.

The bottom line

Barrick Gold and Suncor Energy appear undervalued today in an otherwise expensive market. If you have some cash available, these stocks deserve to be on your radar.

CATEGORY

1. Energy Stocks
2. Investing
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Date

2025/07/06

Date Created

2021/04/12

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