Got $2,000 to Invest? 2 Cheap Stocks That Could Still Soar in 2021

Description

While the **TSX Index** trades near record highs, investors can still find undervalued stocks that offer huge upside potential this year.

Why Barrick Gold stock looks cheap right now

Barrick Gold (TSX:ABX)(NYSE:GOLD) traded for $38 per share in early November when gold fetched around US$1,950 per ounce. Gold is down less than 10% from that level today, but Barrick Gold stock is off about 27%.

The mining giant entered 2021 is great shape. Net debt at the start of the year was zero, compared to about US$13 billion a few years ago. Barrick Gold churned out record free cash flow of US$3.4 billion in 2020.

The board intends to give investors a special return of capital that translates into about US$0.42 per share this year. When you add that to the annualized dividend of US$0.36 per share, investors are getting a yield of roughly 3% in 2021.

The good times appear set to continue. Gold just hit its highest price in seven weeks. Momentum seems to be building as analysts call for weakness in the U.S. dollar through the end of the year. Gold is priced in American dollars, so it often gets a boost when the U.S. dollar index drops.

In the coming months, gold could also catch a bid as investors who shifted funds to crypto currencies book profits and park the cash back in the yellow metal.

Barrick Gold expects 2021 production to be 4.4-4.7 million ounces. All-in sustaining costs should be US$970 – $1,020 per ounce. At the current gold price near US$1,780 per ounce, Barrick Gold is on track to generate significant profits.

The stock appears undervalued today and it wouldn't be a surprise to see it hit $40 by the end of 2021 if gold takes a new run at US$2,000.

Should Suncor Energy stock be on your buy list today?

Suncor (TSX:SU)(NYSE:SU) surged from $15 per share at the end of October to $29 in March. The stock price pulled back over the past month and currently trades near $26. Investors who bought at the 2020 low are sitting on decent gains, but more upside should be on the way.

Why?

Oil is up from US$36 per barrel in the fall to US$63 today. Analysts now widely expect WTI oil to reach $75 before the end of the year and the super bulls say US$100 is possible by 2025.

In early 2020, Suncor trade above $40 per share when WTI oil was close to its current price. Weakness in the refining and retail operations as a result of lower fuel demand have contributed to the price difference, but the spread appears overdone, especially with the global economy ramping up for a huge rebound.

Restrictions on air travel should ease by the end of the year and commuters could start heading back to offices in the fall. This should boost demand for jet fuel and gasoline, helping the downstream business units recover from the 2020 plunge.

Suncor's existing dividend offers a 3.2% yield right now, so you get paid a decent return to hold the stock while you wait for the energy sector to recover.

If oil actually rallies to US$75 per barrel later this year Suncor could potentially hit $40 per share.

The bottom line on cheap stocks

Volatility should be expected, but savvy investors can still find undervalued stocks in the TSX Index. Barrick Gold and Suncor are leaders in their respective industries and could deliver significant upside from current levels by the end of 2021.

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