Got $4,000 to Invest in a TFSA? 2 Tops Stocks to Own Now

Description

TFSA investors are searching for undervalued stocks in an expensive market. The rally off the 2020 market crash wiped out most of the good deals, but some sectors still offer value.

Why Suncor stock could surge

Suncor (TSX:SU)(NYSE:SU) traded for more than $44 per share in early 2020 when WTI oil sold for US$60 per barrel. Today, investors can pick up Suncor stock for about $26, yet WTI oil trades near US$63.

Why is the stock so cheap?

Suncor's downstream operations took a big hit last year, as demand for jet fuel, diesel fuel, and gasoline tanked. This hammered Suncor's refining and retail businesses, which typically provide decent revenue hedges when oil prices weaken. The subsequent crash in the price of oil due to the global plunge in demand for fuel also squeezed margins in the production business. In effect, Suncor had nowhere to hide.

The board slashed the historically reliable dividend by 55%. That upset the market, and Suncor's share traded as low as $15 last fall.

An oil rally over the past several months provided a new tailwind. As the economy opens up and airlines get back on track, fuel demand should rebound. Recent data in the United States shows strong gasoline consumption, and the global oil glut has pretty much disappeared. Canada might not see demand rebound quite as quickly, but the situation should improve by the fourth quarter.

Analysts expect WTI oil to take a run at US$75 in the coming months. Assuming they are correct, Suncor stock appears cheap right now.

Why Telus stock might be a good buy today

Telus (TSX:T)(NYSE:TU) is Canada's second-largest communications company with wireless and wireline assets providing mobile, internet, and TV services across the country.

The recent CRTC decision, which will force Telus and its large peers to provide smaller competitors with network access at wholesale rates, barely impacted the stock. This means the market anticipated the news and doesn't see it as being a major event.

Telus just raised $1.3 billion in a stock sale to help cover 5G investment costs. The expansion of 5G networks gives Telus a number of new revenue opportunities in the coming years. Investors should also consider the potential spin-off value of Telus Health when evaluating the stock. The company had a successful IPO of its international business earlier this year.

Telus doesn't own a media business. Pundits have mixed opinions on whether that will impede growth in the future. So far, the lack of a TV network, specialty channels, and sports teams hasn't held the stock back.

The stock price dipped on the news of the large share sale but is starting to recover. This gives investors a chance to buy Telus at a reasonable price. At the current level of $25.75 per share, Telus provides a solid 4.8% dividend yield.

The bottom line on TFSA investing

Suncor and Telus are leaders in their respective industries. The stocks appear attractive at current prices and should deliver strong returns over the next couple of years.

If you have some cash sitting on the sidelines in a TFSA, these stocks deserve to be on your radar.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TU (TELUS)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/27
Date Created
2021/04/20
Author
aswalker