TFSA Investors: 3 of the Best Canadian Stocks to Buy for 2021 and Beyond

Description

Investors planning to reshuffle their TFSA (Tax-free Savings Account) portfolio could consider adding the shares of **Scotiabank** (TSX:BNS)(NYSE:BNS), **Suncor Energy** (TSX:SU)(NYSE:SU), and **goeasy** (TSX:GSY). I believe the widespread vaccination, economic expansion, recovery in consumer demand, and corporate earnings growth provides a solid platform for outsized growth.

Here are three top Canadian stocks that should be a part of your TFSA investment portfolio for 2021 and beyond.

Scotiabank

Thanks to economic reopening, growing credit demand, and lower provisions, I expect banks to perform relatively better than most sectors in 2021. I believe Scotiabank's exposure to the high-growth banking markets positions it well to benefit from the favourable industry trends and help the bank outperform peers in terms of growth.

I expect Scotiabank to deliver solid revenues and earnings, thanks to the expected increase in loans and deposit volumes. Further, expense management and a significant decline in credit provisions are likely to cushion its earnings. Scotiabank stock is also trading a considerable discount compared to peers. Its P/E (price-to-earnings) and P/B (price-to-book value) multiples of 11 and 1.4 are well below the peer group average and provide an excellent entry point.

Also, Scotiabank is famous for its solid dividend payments. Its dividends have grown by a compound annual growth (CAGR) of 6% in the last 10 years. Meanwhile, it is offering a solid yield of 4.7%.

Suncor Energy

Suncor Energy is among my top recovery bets for the medium- to long-term horizon. I expect crude prices to trend higher in 2021 on the back of growing economic activity and higher demand, providing a solid underpinning for growth.

I believe higher production volumes, increased average realized prices, and lower cost base position Suncor Energy to benefit from the recovery in demand. Meanwhile, a mix-shift towards high-margin products and its long-life and integrated assets should further cushion its revenues and cash flows. I expect to see a strong improvement in Suncor's revenues and funds from operations. Meanwhile, its operating loss is likely to narrow significantly.

Suncor could continue to boost its shareholders' returns through share buybacks and regular dividend payments. The company currently offers an annual yield of 3.3%.

goeasy

I expect goeasy to handily outperform the benchmark index and deliver sky-high returns, thanks to the expected improvement in its loan portfolio and continued growth in its earnings. Notably, goeasy's bottom line has increased at a breakneck pace over the past two decades and has driven its stock and dividends higher.

I believe the recovery in consumer demand, higher loan growth, and strong payments volume could drive stellar growth in its earnings and, in turn, its stock. Meanwhile, geographical and channel expansion, new products, and a large non-prime lending market are likely to accelerate its growth.

goeasy has paid dividends for 17 years in a row and increased it in the last seven years. It pays a quarterly dividend of $0.66 a share, reflecting a yield of 1.9%.

Bottom line

I believe these companies remain well positioned to benefit from the recovery in demand and improving economic outlook. Further, they look attractively priced at the current levels. An investment in these three Canadian stocks through your TFSA will let you earn solid tax-free capital gains and dividend income.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:GSY (goeasy Ltd.)
5. TSX:SU (Suncor Energy Inc.)

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