Meet the 2 Best TSX Stocks to Buy Now and Hold Through 2021

Description

The **TSX Index** may or may not have peaked, but regardless, investors should be buying the top Canadian stocks that they view as undervalued. Even if the broader stock market were to fall into a correction, there's no guarantee that today's cheap stocks will follow suit. Heck, many undervalued TSX stocks out there may stand to rally in the face of the next wave of volatility. Just look how well the value-heavy **Dow Jones Industrial Average** held up when the growth-heavy **Nasdaq 100** plunged 10% in the first quarter of 2021.

It's tempting to time the markets and pay too much merit to all the correction calls spewed by pundits in the mainstream financial media. Even if you've been in the game for years, it's easy to get scared onto the sidelines. While I'm a firm believer that investors should always have the cash to take advantage of dips, far too many overly conservative Canadian investors may be hoarding way too much cash on the sidelines, leaving them most vulnerable to an uptick in the rate of inflation.

TFSA: Don't hoard cash; invest!

Far too many Canadians are using their TFSAs (Tax-Free Savings Accounts) to save, not invest. While it's not a great feeling to buy at the market's top, I think it's a far worse idea to be a wallflower, stuck on the sidelines and missing out on what could be the biggest economic boom in decades.

In this piece, we'll have a look at two undervalued Canadian stocks that I believe will outperform the TSX Index in 2021 while exhibiting far less volatility. Without further ado, here are the stocks.

Best TSX stock #1: Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of my favourite dividend stocks on the entire TSX Index. It sports a juicy 7.2%-yielding dividend, and no, it's not on the cusp of being cut right down the middle. While the energy transportation giant is on the wrong side of a secular trend, I think it's a mistake to conclude that there's not much value left for long-term investors, especially at these depressed valuations.

In this kind of environment, where oil is booming, and interest rates could be headed higher (Enbridge stock isn't as rate sensitive as most other companies out there), Enbridge stock ought to command a much higher price of admission. At $46 and change, Mr. Market has marked down shares of the dividend-growth king, but I think he will correct it to the upside at some point over the next 18 months.

Enbridge is tremendously volatile, but if you have no exposure to fossil fuels, I think you've got to get in before the stock rallies, and the dividend yield compresses below the 6% mark.

Best TSX stock #2: Dollarama

Dollarama (TSX:DOL) stock just broke out to multi-year highs, and I think it's headed much higher on the back of a potential late-2021 economic reopening. The Canadian vaccine rollout has been painfully slow, but come the autumn season, one has to think that we'll be at or at least very close to normalcy. And that could mean the theme of fewer visits and larger baskets will be replaced by frequent visits and perhaps equally as large baskets.

In an effort to reignite its growth, the discount retail giant plans to over 2,000 stores in Canada over the next decade. Add the strong loonie windfall into the equation, and I think Dollarama could be on a sustained rally to $70 by year's end.

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