



2 Underrated, Undervalued Canadian Stocks to Buy in 2021!

Description

Even after an [epic rally](#), there remain numerous underrated, undervalued Canadian stocks out there that could have room to run. This market may be expensive, but instead of a market crash or correction, it could face a continuation of the growth-to-value rotations faced in the first quarter. Such a vicious rotation and broadening out of the rally could hurt those investors who've been sticking on the sidelines, waiting for a 10% [plunge](#) before getting in.

If 10-year bond yields have you worried, you've come to the right place. I think the U.S. 10-year-note yield could break the 2.2% mark this year. In such a scenario, the punishment for speculative, unprofitable growth stocks could be vicious. That's why I'm a huge buyer of value stocks these days, and in this piece, I'll reveal two of my favourites to own for the rest of 2021!

TD Bank: The Canadian banking king faces huge tailwinds

TD Bank ([TSX:TD](#))([NYSE:TD](#)) stock has been incredible over the past year. If you missed buying shares on the dip last year, don't fret. The stock still looks undervalued at this juncture, given the incredible macro environment that's up ahead. Rising rates and an economic boom for the ages both bode well for TD, which has been navigating rough waters for many years now.

CEO Bharat Masrani has done a remarkable job of steering TD through the Canadian credit downturn and the coronavirus crisis. Now, the man has his sights set on acquisition opportunities, likely in the U.S. market. I do not doubt that TD will pay a pretty penny for an acquisition, but I think it will add enormous value for shareholders over the next decade.

The stock trades at 3.5 times sales and 1.7 times book, both of which are too low given TD's high quality of earnings and the likelihood that things (and rates) will be looking up for the big banks over the next five years.

Suncor Energy: An underrated, undervalued Canadian stock

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a great fossil fuel stock that doesn't get the respect it deserves. Sure, the dividend was axed during the worst of the coronavirus crisis, and, sure, the company probably lost the trust of its income-oriented investors last year, but I still think it's a mistake to penalize the name for erring on the side of caution.

Oil prices flirting with negative territory last year. Back then, oil stocks were rancid. Few people would have predicted the incredible rally in WTI past the US\$60 mark. With WCS closing the gap on WTI, I wouldn't at all be surprised if Suncor stock is on the cusp of a massive upside correction. The stock looks technically sound, with a reverse head and shoulders pattern in the works, and fundamentally sound, at just 1.1 times book value.

The dividend yields a modest 3.1%, but I think it could grow at a high double-digit rate, as Suncor, I believe, could increase its guidance and commitment to rewarding shareholders amid the recent commodities boom.

Foolish takeaway

There you have it: two underrated, undervalued Canadian stocks that value investors should look to scoop up, as 2021 could be the year that value finally outshines growth in a big way. Between TD Bank and Suncor, I'd have to go with TD Bank, as I believe many people are severely underestimating the financial tailwinds that could be ahead.

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