



Here Are 3 Top Canadian Stocks to Buy in May 2021

Description

As the stock market has recovered from the pandemic market crash and rallied past the pre-pandemic highs, it has become harder and harder to find value. Here are some top Canadian stocks trading at decent valuations for your consideration in May 2021.

Suncor stock

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock has remained weak and depressed since it slashed its dividend last year. At the time, management took a cautious stance by suspending stock buybacks and reducing the quarterly dividend by 55%. These actions reduced the energy stock's cash break-even price to cover operating costs, sustaining capital, and dividends at about West Texas Intermediate (WTI) US\$35 per barrel. (The WTI oil price sits at north of US\$60 per barrel currently!)

[Suncor stock](#) could see seasonal strength going into the summer months through August, during which North Americans enjoy the warm weather and outdoor activities. Because of the COVID-19 pandemic, people are more inclined to drive than take public transit, which could drive the energy stock higher over the next few months.

Despite the dividend cut, Suncor stock still offers a nice yield of 3.1%, maintains a good balance sheet, and is awarded an investment-grade S&P credit rating of BBB+.

Stock returns are a combination of dividend return and upside potential. Suncor stock could be an attractive investment for near-term returns. The 12-month consensus analyst price target suggests near-term upside potential of 21%.

Enbridge stock

Continuing with the energy stock theme, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock is a wonderful dividend stock for passive income. It has a long history of dividend increases. Specifically, Enbridge stock is a Canadian Dividend Aristocrat with 25 consecutive years of dividend increases.

It used to be a high-growth dividend growth stock yielding under 4% for most of 2000 to 2015. Since then, its growth has drastically slowed down, resulting in the compressed valuation and boosted yield.



ENB Dividend Yield data by YCharts. Enbridge stock's dividend yield history.

Through 2023, management estimates [Enbridge stock](#) will grow its distributable cash flow per share by 5-7% per year. This should lead to healthy dividend increases of approximately 3-5% in the period.

Therefore, ignoring any potential valuation expansion, Enbridge stock can deliver annualized returns of 10-12% through 2023. The returns will primarily come from its compelling dividend yield of 7%.

The best Canadian REIT to buy now

While Suncor stock requires more attention and is better suited for active investors, Enbridge stock and **Fronsac REIT** (TSXV:FRO.UN) are wonderful buy-and-hold dividend stocks.

Fronsac REIT has been a recent favourite stock of mine because of its defensive business model, attractive dividend yield, reasonable valuation, and high expected total returns.

The diversified REIT's market cap of about \$132 million is but less than 3% of its largest peers. Because of its small size, it's in the sweet spot to make acquisitions that are not big enough for larger firms but too massive for individual investors to take on.

Fronsac REIT also participates in developments that tend to be more lucrative than making acquisitions. Due to its relatively small scale, every action it makes could drive more meaningful growth for its bottom line.

Despite being a quality stock, you won't see Fronsac in the top holdings of REIT funds because of its small size and low liquidity. As a result, it's largely ignored by funds and many retail investors. Fronsac REIT provides an initial yield of about 3.9%.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SU (Suncor Energy Inc.)
5. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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