2 Cheap Canadian Stocks to Buy Right Now

Description

It's not easy to find top stocks that are undervalued right now. The Canadian stock market is trading at an all-time high and valuations are starting to get stretched.

High-priced tech stocks led the way for growth investors in 2020. But as 2021 began, we saw the tech sector cool off and an interest in value stocks return. But now that the **S&P/TSX Composite Index** is up 10% year to date, there's no shortage of expensive growth stocks for Canadian investors to choose from.

I wouldn't blame you if you were hesitant to invest in Canadian stocks at these prices. Valuations are high, I won't argue that, but that doesn't mean you can't find any value today.

Here are two top Canadian stocks that value investors will want to have on their radar.

Canadian bank stocks are still undervalued

The major banks were some of the worst-performing **TSX** stocks in 2020. The COVID-19 market crash had a negative impact on banks across the country as interest rates tanked.

It's been a completely different story for the Big Five in 2021. Bank stocks have come roaring back through the first four months of the year despite interest rates still far below pre-COVID-19 levels.

I wouldn't let the fact that the banks are on fire right now stop you from adding one of the Big Five to your portfolio. Looking at valuation alone, I still strongly believe that the banks are still undervalued and can be an excellent addition to any long-term investor's portfolio.

At the top of my watch list today is **Scotiabank** (TSX:BNS)(NYSE:BNS). Shares are up a market-beating 15% year to date but the stock is still trading at a very reasonable forward price-to-earnings ratio of just 10.

In addition to long-term growth potential, you won't find many other Canadian stocks with dividends that outmatch what Scotiabank can offer. Not only does the $95 billion bank's dividend yield 4.6% at today's stock price but it's also been paying a dividend to its shareholders for close to two centuries.

If you're looking for a reliable Dividend Aristocrat with market-beating growth potential over the long term, Scotiabank is a great choice.

Investing in the growth of renewable energy

Renewable energy stocks have had a much different past 12 months compared to the major banks.

Green energy stocks were some of the top performers last year. The growth of the entire sector has been steadily rising for a few years now, but that growth really took off in 2020. But since the start of 2021, it's been nothing but downhill for most renewable energy stocks.

Prices of some of the top green energy picks may be higher than the banks, but many are also trading at a discount right now. The long-term growth potential is also far higher for renewable energy companies, compared to the banks, so it's only natural that valuations are also higher.

I started a position in **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) as my first pick in the growing sector. The reason I chose this stock was because it offers shareholders broad diversification to the entire sector.

The $13 billion company has a presence across a wide range of renewable energy sources, including wind, hydro, and solar. Not only that, but it also has customers across the globe.

In addition to the stock's broad exposure, the growth potential was also certainly a factor in my buying decision. Shares are up a market-crushing 135% over the past five years.

So if you're looking for just one green energy stock to have in your portfolio, you can't go wrong with Brookfield Renewable Partners.

The best part is, Canadian investors can pick up shares at a rare discount today. The green energy stock is trading close to 25% below all-time highs right now.

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ndobroruka