Got $1,500 to Invest? 2 Top Canadian Stocks for a TFSA

Description

Tax-Free Savings Account (TFSA) investors are searching for top Canadian stocks that still appear undervalued in an overbought market.

Why Suncor stock looks cheap to buy today

Suncor (TSX:SU)(NYSE:SU) is Canada's largest integrated energy company. Oil production is the largest part of the business, but Suncor also has refineries and retail operations. The different divisions along the value chain historically provided Suncor with a nice hedge against low oil prices. The refineries and gas stations often benefit when oil prices drop.

During the pandemic, however, all three groups took a hit. The price of oil tanked due to falling fuel demand, rather than as a result of oversupply. Global lockdowns and travel restrictions have kept commuters at home and airplanes grounded. Demand for gasoline and jet fuel fell off a cliff.

The latest COVID-19 wave in Canada and other countries will delay the reopening of air travel and the rebound in oil demand, but a recovery is on the way. The U.S. is seeing a surge in gasoline demand and airlines south of the border are ramping up capacity. Wests Texas Intermediate (WTI) oil now trades near US$65 per barrel compared to around US$60 before the pandemic.

Suncor traded for more than $40 per share in early 2020 when the price of oil was lower than it is now. At the time of writing investors can buy the stock for close to $29. The company reported solid Q1 2021 results and management is using excess cash to pay down debt and repurchase shares. A return to dividend hikes could be on the way in 2022.

Analysts broadly expect WTI oil to hit US$75 per barrel before the end of the year. If that turns out to be the case, Suncor stock appears cheap right now.

Telus stock appears attractive for a TFSA

Telus (TSX:T)(NYSE:TU) is a top Canadian communications stock. The company provides mobile, internet, and TV services to business and retail clients across the country. Telus also has investments in other areas, including its Telus Health division which is a leading provider of digital health solutions to doctors, hospitals, and insurance companies.

Telus completed a successful Initial Public Offering (IPO) of its international division earlier this year and Telus Health could go the same route to unlock value for investors. Telus just raised its 2021 capital program to $3.5 billion as part of a plan to accelerate the rollout of its fibre optic and 5G wireless networks.

Starting in 2023, the heavy capex spending will drop to an annual rate of about $2.5 billion. That means investors could see dividend hikes start to ramp up as more cash is available for distributions.

As the economy reopens and people begin to travel again Telus should see a rebound in revenue from the retail stores and roaming fees. In addition, 5G and Telus Health offer strong revenue growth opportunities in the coming years.

Telus continues to attract new subscribers to its services. In the Q1 2021 earnings report the company said it added 145,000 net new customers. Telus Health revenue jumped 10%.

The board raised the quarterly dividend to $0.3162 per share, representing an 8.6% increase over the past year. Telus has a long track record of steady dividend growth and that trend should continue. Investors who buy the stock at the current price near $26.35 can pick up a solid 4.8% yield.

The bottom line on TFSA investing

Suncor and Telus are leaders in their respective industries and should deliver strong returns in the next few years. If you have some cash to invest in your TFSA these stocks deserve to be on your radar.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TU (TELUS)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Investing

Date
2025/07/27
Date Created
2021/05/11
Author
aswalker