2 Top Undervalued Canadian Stocks to Buy in 2021

Description

The **S&P/TSX Composite Index** is trading close to its all-time high these days, making it seem like the market is in overvalued territory and at risk of a substantial correction. Many Canadian stocks are trading at pre-pandemic levels or have reached new all-time highs.

In a market that seems expensive, it almost looks impossible to find discounted stocks that could become excellent value investments in your portfolio in the long run. However, there are a few Canadian stocks that are still trading for far less than pre-pandemic valuations.

I will discuss two such stocks that could be worth adding to your portfolio to enjoy stellar long-term returns.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is first on my list. The stock fell drastically because of the oil price crisis, and the lowered demand for crude oil amid the pandemic made it fall even more. At writing, Suncor is trading for $28.24 per share, and it is still trading for a 35% discount from its January 2020 share prices.

With a 1.64 price-to-sales ratio, Suncor looks like an attractive stock pick. Its first-quarter earnings report also posted impressive numbers, making it an even more attractive stock to consider. Suncor's revenue from operations rose to $746 million from $421 million as production increased. The company's funds from operations increased to $2.11 billion from $1 billion.

Improving economic activities worldwide could drive oil prices higher and fuel demand, allowing Suncor to improve its balance sheet further.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is my second pick for undervalued Canadian stocks that you can buy this year. Enbridge also took a heavy tumble due to the oil price crisis and the economic fallout from COVID-19. It has only recently started to recover, but the stock is trading well below its pre-pandemic share prices.

Enbridge boasts a 2.50 price-to-sales ratio, making it an attractive asset to consider adding to your portfolio. The stock is trading for $48.43 per share and boasts a juicy 6.90% dividend yield. Despite the challenges posed by the pandemic, Enbridge posted impressive numbers in its latest quarterly earnings report. The company generated $2.6 billion in cash from its operating activities, providing a much-needed boost to its balance sheet.

As the vaccine rollout continues, governments worldwide are looking to reopen their economies. The improvement in economic activities worldwide is leading to increased oil demand. More demand means that Enbridge can improve its asset utilization rate and boost its financials further.

Foolish takeaway

Buying on the dip on beaten-down stocks in a market that seems to be doing so well might sound like a risky move. However, some stocks never managed to recover to pre-pandemic valuations due to unfavourable conditions.

As the markets recover and consumer demand returns to relative normalcy, battered and bruised stocks trading on the TSX might finally get the chance to recover. I believe that Suncor and Enbridge could be excellent additions to your portfolio for undervalued stocks in a seemingly overvalued market.

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