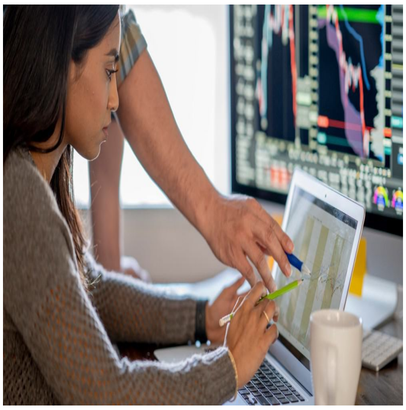

2 Cheap Canadian Stocks to Buy Before June 2021

Description

Canadian stocks have been on a roll in 2021, and I don't see that stopping anytime soon. The inflationary environment we live in is an ideal set-up for many Canadian stocks. Value stocks in energy, industrials, materials, and real estate are all having a strong rebound from 2020 — and who can blame them? The Canadian stock market has been lagging the U.S. tech-heavy indices for years.

Top Canadian cyclical stocks could demonstrate some strong returns in 2021

Yet, through the pandemic, many of these cyclical businesses have worked hard to tighten their business models, reduce costs, and focus on capital allocation. Now, when commodity prices are supportive, many of these stocks are shovelling out incredibly strong earnings and free cash flows. While many have had strong price rebounds, there are still some that are cheap today. Here are two top Canadian stocks that look like attractive buys before June 2021.

Suncor: A leading Canadian oil stock

Suncor (TSX:SU)(NYSE:SU) is a large-cap oil stock that still looks to have some upside. This Canadian stock still sits at a 30% discount to its pre-pandemic price compared to peers like **CNQ** who are actually trading above their January 2020 price. Certainly, Suncor might still be in the penalty box after it significantly lowered its dividend distribution last year. However, things are starting to look up.

During the pandemic, Suncor had to quickly reduce costs and create operational efficiencies. Right now, the company is looking to lower its cost of oil production to below $20 per barrel. As a result, the company is producing a tonne of free cash flow. In its most recent first quarter, it produced $2.11 billion of funds from operation, more than double its production in the first quarter of 2020 (even before the pandemic really struck).

The company is now planning to largely use these proceeds to reduce debt and complete share buybacks. From January to April 2021, it bought back $530 million of shares. This Canadian stock also pays a decent 3% dividend. Given the more stable energy environment, this stock still has a long way to catch up to peers, which is why it looks attractive here.

Enbridge: A North American pipeline

Enbridge (TSX:ENB)(NYSE:ENB) is another stock in the energy space that looks interesting. With most Canadian dividend stocks yielding below 4%, Enbridge's 7.2% dividend yield is pretty attractive. Certainly, there are some risks with this stock at the moment.

Its Line 5 pipeline, which crosses the Great Lakes into the U.S., has been threatened to shut down or risk having its profits appropriated by the state of Michigan. This is an unlikely scenario given that individual states have very little jurisdiction over a nationally-approved pipeline. However, this is a risk to be aware of.

In the meantime, Enbridge continues to operate across its massive pipeline network. In fact, its network is incredibly essential to the North American economy. It transports 20% of North America's crude and 25% of natural gas consumed in America. As a result, this company produces very stable, resilient cash flows. Its business is a toll road with very little competition, especially as pipelines become more difficult and complicated to build.

This Canadian stock is also making progress in participating in the green energy transition. It has a growing set of renewable power assets and is making good progress on developing technologies related to hydrogen, carbon capture, and renewable natural gas. This Canadian stock still hasn't returned to its pre-COVID-19 levels, so I believe there is still some upside ahead. Enjoy the nice dividend while you wait for this thesis to unfold.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

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

6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/07/23
Date Created
2021/05/26
Author
robbybrown