



Got \$1,300 to Invest? 2 Cheap Canadian Stocks to Buy Now

Description

Investors with a bit of cash available in their TFSA or RRSP are searching for [undervalued](#) stocks today. The **TSX Index** is at a record high, but some top Canadian stocks still look cheap.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) operates \$100 billion in energy infrastructure assets across Canada, the United States, and Mexico.

The cancelled Keystone XL oil pipeline project received most of the attention in recent years, but TC Energy is primarily a natural gas transmission, gas storage, and power production firm. The company transports about 25% of North America's natural gas across 93,400 km of pipelines.

TC Energy is advancing \$7 billion in projects under development and has a secured capital program of roughly \$24 billion through 2024. This is important for investors who rely on TC Energy for reliable dividend growth. The board expects to raise the distribution by 5-7% per year. The compound annual dividend growth rate over the past 20 years is about 7%.

TC Energy stock trades near \$62 per share at the time of writing and provided a dividend yield of 5.6%. The stock sold for \$75 per share before the pandemic, so investors could see some solid gains over the next couple of years as the energy sector recovers.

Natural gas has a [bright future](#), and TC Energy is positioned well to benefit from demand growth.

TransAlta

TransAlta ([TSX:TA](#))([NYSE:TAC](#)) is an Alberta-based power utility. The company had a rough run over the past decade when high debt, falling power prices, and negative sentiment towards coal-fired power production hammered the stock. TransAlta slashed its dividend to preserve cash flow, and the stock tanked from \$37 per share in 2008 to below \$4 in 2016.

Over the past few years, the company has cleaned up the balance sheet and made excellent progress on its plan to transition from coal to natural gas as a fuel source for its power production. Cash flow is improving, and the board even started raising the dividend. TransAlta also has significant renewable energy assets held in its subsidiary, **TransAlta Renewables**.

Pundits have long stated that TransAlta stock is too cheap. The market started to catch on in recent months, but the share price still appears undervalued when you consider TransAlta Renewables position. TransAlta has a market capitalization of about \$3 billion at the time of writing, yet its 60% ownership stake in TransAlta Renewables is worth about \$3.1 billion.

Consolidation in the power sector could ramp up in the next few years, and it wouldn't be a surprise to see TransAlta get acquired. **Brookfield Asset Management** has already amassed a 12% ownership position in TransAlta and could potentially move to take over the entire company.

Even without a takeover offer, the stock should still drift higher in the next few years. It wouldn't be a surprise to see TransAlta get back to \$20 over the medium term.

The bottom line

TC Energy and TransAlta appear cheap right now in an otherwise expensive market. If you have some cash to put to work, these stocks deserve to be on your radar.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:TA (TransAlta Corporation)
4. TSX:TRP (TC Energy Corporation)

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