



2 UNDERVALUED TSX Stocks to Buy in a Frothy Market

Description

Canadian markets are up almost 80% since the epic crash last year. While I don't see a bubble and hopeful of an economic recovery, I think some areas of the markets certainly look overvalued. Rising inflation could pull these TSX stocks down in the short to medium term. At the same time, few Canadian stocks are currently trading at a discounted valuation, which indicates strong upside potential. Here are two top stocks among those.

Canadian Natural Resources

Like it or hate it, but you can't ignore the energy sector! It has been one of the top performers among broader markets, more than doubling since last year. Canada's leading oil sands producer stock **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) has returned almost 170% since October 2020.

The company reported a net profit of \$1.4 billion in Q1 2021 after losing \$1.2 billion in the same quarter last year. Notably, its financials might continue to impact positively, with crude oil prices trading close to yearly highs. Its low-cost operations offer a competitive breakeven price of US \$30-31 per barrel of oil, which gives a decent scope of [margin expansion](#) and free cash.

Its disciplined cash management helped raise shareholder payouts last year. The stock yields 4.5% at the moment, higher than TSX stocks at large. Its strong balance sheet and stable dividend profile make CNQ an appealing bet for discerned investors.

Notably, CNQ stock does not look too stretched from the valuation standpoint, even after its vertical rally. It is trading close to eight times its 2021 earnings, way lower than its historical average. The stock will likely continue to trade strong amid the strength in energy commodities and earnings recovery.

B2Gold

As the yellow metal has started to shine again in 2021, I think it's time to bet on gold miner stocks.

Among Canadian miners, **B2Gold** ([TSX:BTO](#))(NYSE:BTG) stock looks notably discounted at the moment. The stock is currently trading eight times its earnings, which is significantly cheaper than peer miners.

B2Gold's net income has jumped from \$39 million in 2016 to \$647 million in the last 12 months. While the profits have soared almost 16 times in the last five years, the company's costs have [remained](#) largely flat. Its all-in sustaining costs, a metric of direct and recurring costs of a mine, have merely risen from \$877 per ounce to \$932 per ounce in Q1 2021. That's why BTO stock rallied from \$3 in 2016 to \$10 in August 2020.

Also, if gold prices continue to trade close to the current levels, miners' earnings will again shoot up this year like it did last year. A stock that has shown such superior earnings growth is trading at a discounted valuation, making it an attractive bet.

It also has a stable dividend profile that yields 3.2% — way higher than bigger peer stocks.

The company aims to produce approximately one million ounces of gold this year. Higher-than-expected gold prices might drive gold miner's earnings in 2021 and, effectively, its stock.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Metals and Mining Stocks
6. Personal Finance
7. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:BTO (B2Gold Corp.)
4. TSX:CNQ (Canadian Natural Resources Limited)

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
5. Metals and Mining Stocks
6. Personal Finance
7. Stocks for Beginners

Date

2025/08/25

Date Created

2021/06/07

Author

vinitkularni20

default watermark

default watermark