2 Battered Stocks That Don’t Deserve to Be This Low

Description

The global pandemic wreaked havoc on the stock market in 2020. Investors had to endure bouts of volatility, while COVID-19 was spreading. However, **TSX’**s downturn was short-lived. Canada’s primary stock exchange displayed resiliency and slowly pared down the losses.

Fast forward to June 2021 and we see the TSX posting new highs. Since June 4, 2021, the closing was always above the 20,000 level. The index paused to finish a shade below the threshold, or 19,999.60 on June 18, 2021. Notably, two battered stocks last year still trade at relatively low prices.

Suncor Energy (TSX:SU)(NYSE:SU) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) are bargain deals if you invest today. Their business outlooks are encouraging and could potentially propel the share prices higher in 2021.

The resurgence of the oil sands king

Oil sands king Suncor was trading above $42 before the oil price war and coronavirus outbreak. Things turned for the worse and sent the price plunging to $14.42 on March 13, 2020. Fortunately, constituents in the energy sector, including Suncor, are advancing in 2021 due to the oil resurgence.

The energy stock even outperforms the TSX (+38.37% versus +14.72%) thus far in 2021. Meanwhile, market analysts recommend a buy rating. They see a 44% upside to $42, which should be the right price if Suncor seeks its own level. Also, the current dividend yield of the erstwhile Dividend Aristocrat is a decent 2.69%.

In Q1 2021 (quarter ended March 2021), Suncor is no longer in the red. Management reported net earnings of $821 million compared to the $3.5 billion net loss in Q1 2020. The balance sheet is stronger following a $1.1 billion reduction in total debt. Suncor used cash flow from operating activities to wash down its liabilities.

The primary focus throughout the rest of the year is financial health and business resiliency. Oil sands producers received a boost in Q1 2021 when Canada’s five largest pension funds increased their investments. Suncor continues to reclaim its lofty position in the energy sector.

Ideal business combination

Canadian National Railway is fresh from winning the bid to create the first direct railway linking Canada, the U.S., and Mexico. The $91.97 billion company will acquire American railway operator **Kansas City Southern**. The acquisition offer of **Canadian Pacific Railway**, the rival suitor, fell short by US$4.6 billion.

The proposed cash-and-stock transaction didn't exactly push the stock price higher. As of June 18, 2021, CNR trades at $129.91per share (-6.94% year to date), while the dividend offer is a modest 1.89%. Still, the business combination augurs well for the industrial stock.

Remember, the railway industry is closely linked to economic growth. Industry experts list CNR as one of the best-valued railroad stocks in 2021. It has an extensive railroad track network that traverses in Canada and the U.S. CNR operates a fleet of locomotives and railcars and transports industrial and natural products.

CNR and KCS are confident the Surface Transportation Board will approve the business combination. Many groups, including U.S. congressman Jerry Carl and the Jerseyville Economic Development Council expressed overwhelming support for the deal.

A win for investors

Suncor Energy and Canadian National Railway don't deserve their share prices today. Nonetheless, it should good for investors because they can scoop the stocks at depressed prices. Both are great additions to an investment portfolio.

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