



2 Top Canadian Stocks to Start Your RRSP Wealth Fund

Description

Canadians have saved a lot of money in the past year, and many are using the funds to start or expand their RRSP portfolio. The overall stock market is expensive today, but some top Canadian stocks still appear [undervalued](#).

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is a leader in the global fertilizer industry. The company produces and sells potash, nitrogen, and phosphate to growers around the world who use the crop nutrients to improve crop yields. Annual wholesale contracts are negotiated with countries such as China and India. Sales also occur on the global spot market. In addition, Nutrien has a retail division that sells seed and crop protection products.

The fertilizer sector is emerging from a multi-year slump. Potash prices are moving higher, and global sales are expected to hit a record level in 2021. High crop prices in 2020 have continued this year, driving strong demand for crop nutrients, as farmers can afford to spend more on fertilizer and are planting additional acreage to take advantage of the elevated market conditions.

Nutrien recently announced it will increase potash production by one million metric tonnes. Rising demand and tight market conditions triggered the first 500,000 tonne increase. A decision by the E.U., U.K., U.S., and Canada to put [sanctions on Belarus](#) paved the way for the second 500,000-tonne increase. Belarus is a major producer of potash for the global market.

Nutrien should generate strong earnings results this year and into 2022. The long-term outlook is positive, as well. Rising middle-class wealth and a steady increase in the global population means farmers will need to produce significantly more food in the coming decades.

The stock trades near \$75 per share at the time of writing. This appears cheap given the tailwinds behind crop nutrient demand and the upward trend in prices. Nutrien has the potential to generate truckloads of free cash flow in the next few years. It wouldn't be a surprise to see the share price top \$100 by the end of 2022.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the North American energy infrastructure industry. The company transports 25% of all the oil produced in Canada and the United States. Enbridge also moves 20% of the natural gas consumed in the U.S. and has a growing renewable energy division.

Getting large oil pipelines built is a challenge these days and the situation isn't expected to improve amid strong government and public opposition to new projects. This is a headwind for Enbridge's traditional growth strategy, but the company's current capital program is heavily focused on the natural gas assets. Going forward, more investment in green energy is likely on the way.

Natural gas has a strong future. Countries know they need to switch from oil and coal to renewable energy sources. Natural gas is becoming the go-to choice for many in making that transition. As a result, demand for liquified natural gas (LNG) should increase in the coming years as coal and oil-fired power generation gets converted to natural gas.

Enbridge's natural gas transmission and storage assets put it in a good position to help producers get their product to domestic and international customers.

The stock trades near \$49 per share and provides a 6.75% dividend yield. The payout should increase in line with anticipated 5-7% annual growth in distributable free cash flow.

The bottom line on top RRSP stocks

Nutrien and Enbridge are leaders in their respective industries and should be solid buy-and-hold picks for a self-directed RRSP portfolio. Dividend growth should continue at a steady pace, and the stock prices appear cheap right now in an otherwise expensive market.

CATEGORY

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