



Buy These 4 Undervalued Stocks to Earn Superior Returns

Description

Amid improving corporate earnings, expansionary fiscal and monetary policies, and the optimism over the reopening of economies worldwide, Canadian equity markets have delivered a stellar performance, with the **S&P/TSX Composite Index** rising over 16% for this year. However, despite the substantial increase, there are few [undervalued stocks](#) that can deliver superior returns over the next two years.

Air Canada

After losing over half of its stock value last year, **Air Canada** ([TSX:AC](#)) has witnessed an increased buying this year, with its stock value appreciating by 18.4%. The expectation of easing travel restrictions and the government's financial support of \$5.9 billion appears to have enhanced investors' sentiments, driving its stock price higher. Meanwhile, I expect the uptrend to continue. The widening of the vaccination efforts and falling COVID-19 cases could prompt governments to lift some of the harsh travel restrictions, boosting passenger demand.

Meanwhile, Canadian citizens are sitting on huge capital, which they had saved for emergencies. With the economy bouncing back and jobs returning, I expect people to spend their savings on travel and leisure, which could benefit the company. The company plans to expand its cargo operations by adding two of its retired passenger aircraft later this year. So, given its growth initiatives, attractive valuation, and improving industry trends, [I am bullish on Air Canada](#).

Canadian Natural Resources

With the economies beginning to reopen, oil demand is rising. However, OPEC+ countries have indicated a slower-than-expected supply hike, driving oil prices higher than \$75/barrel. Meanwhile, I expect oil prices to remain at higher levels in the near term amid increasing demand and supply concerns, benefiting **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)), which produces and markets oil and natural gas products.

The company has witnessed a strong buying this year, with its stock price rising close to 50%.

However, despite the substantial increase, the company trades at 24.5 times its trailing 12 months earnings and 2.9 times its sales. Meanwhile, the company expects its [production to increase by 5%](#) this year. Given its long-life, low-decline asset base and efficient execution, its margins could improve in the coming quarters. So, I expect the uptrend in Canadian Natural Resources's stock price to continue.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a midstream energy and utility company, which has outperformed the broader equity markets this year, with its stock price increasing by 19.5%. However, the company is still trading around 25% lower from its January 2020 levels, providing an excellent buying opportunity.

The improvement in oil demand and prices could drive the throughput of its liquid pipeline segment, boosting its financials. The company has planned to make around \$20 billion of capital investment over the next four years, with around \$7 billion of projects in the developmental stage. So, its growth prospects look healthy. TC Energy has been rewarding its shareholders by raising its dividend for 21 consecutive years at a CAGR of 7%. Its forward dividend yield currently stands at 5.63%.

Canopy Growth

The weakness in the cannabis sector and subdued fourth-quarter performance have weighed on **Canopy Growth's** ([TSX:WEED](#))([NYSE:CGC](#)) stock price. The company currently trades close to 60% lower from its February highs. Meanwhile, the company's growth prospects look healthy.

Amid increased legalization, expanding medical usage, and growing acceptance, the cannabis market is expanding. Meanwhile, the company is looking at strengthening its position in the cannabis-infused beverage and flower segments through new innovative product launches. The company also is looking at strategic acquisitions to expand its market share. It recently completed the acquisition of Supreme Cannabis and Ace Valley, which has expanded its product offering while enhancing its production capabilities. So, Canopy Growth would be an excellent buy for investors with a two-year investment horizon.

CATEGORY

1. Cannabis Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:TRP (Tc Energy)
4. TSX:AC (Air Canada)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:TRP (TC Energy Corporation)

7. TSX:WEED (Canopy Growth)

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