RRSP Investors: 2 Cheap Canadian Stocks to Buy Now

Description

Canadian savers are searching for top Canadian stocks to add to their RRSP portfolios. The broader stock market looks expensive today, but investors can still find some undervalued industry leaders.

CN

CN (TSX:CNR)(NYSE:CNI) is Canada's largest railway company with a unique network of tracks that connects the Pacific and Atlantic coasts in Canada with the Gulf Coast in the United States.

CN's share price is down in recent months as a result of its bid to buy **Kansas City Southern**, a U.S. railway with lines connecting to Mexico. The market appears to be concerned CN is offering too much for KCS, and if the deal gets approved, will load up the balance sheet with debt.

In addition, CN has already committed US$700 million to KCS for the break fee it had to pay **Canadian Pacific Railway,** which had agreed to buy KCS for US$25 billion plus debt. CN offered 20% more to buy the company.

Investors will have to wait a few more weeks to see if the takeover has a chance of being completed. In the meantime, CN stock looks oversold. The company just reported strong Q2 2021 results. In the event the buyout of KCS is blocked, CN stock should rebound to its previous price of around $148. The shares currently trade near $132.

A positive outcome on the takeover would position CN to be a North American rail industry leader. Once all the integration headaches get sorted out, the market should see the long-term benefits and drive the share price higher.

CN is a very profitable company and has a great track record of dividend hikes and share buybacks. Near-term volatility is expected, but any pullback from this level should be viewed as a buying opportunity.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) is a global leader in the production of potash, nitrogen, and phosphate. These products are used by farmers around the world to increase crop yields.

Potash demand is at record highs and Nutrien has already increased its production guidance twice for the second half of this year. Crop nutrient prices are rebounding from a multi-year slump and Nutrien has the modern facilities needed to meet the rising demand for the products in the coming years. This means investors shouldn't have to worry about major capital projects that could eat up distributable cash flow.

Nutrien's retail business provides a nice revenue hedge to counter volatility on the wholesale side. The division sells seed and crop protection products to farmers. Investments in new digital solutions are growing the tech side of this group.

Nutrien's strong relationship with its existing customers gives it an advantage when offering its digital products that are designed to help farmers manage their businesses more efficiently.

Nutrien reports Q2 2021 earnings results on August 9. Investors might want to take advantage of the recent pullback in the share price to add Nutrien stock to their RRSP portfolios before the Q2 numbers. At the time of writing the stock trades for $74 per share compared to the 2021 high of around $79.

Nutrien pays a quarterly dividend of US$0.45 per share. Investors could see a nice boost to the payout before the end of the year, supported by the improved 2021 EBITDA guidance.

The bottom line on RRSP stocks

CN and Nutrien are leaders in their respective industries and should deliver solid long-term gains for buy-and-hold RRSP investors. The stocks appear cheap right now in an otherwise expensive market.

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Date
2025/09/15
Date Created
2021/07/26
Author
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