



2 Cheap Canadian Stocks to Buy Now!

Description

The broader **TSX Index** looks expensive, but savvy investors can still find top Canadian stocks that trade at cheap prices right now.

Teck Resources

Teck Resources ([TSX:TECK.B](#))([NYSE:TECK](#)) is a global leader in the production of metallurgical coal, copper, and zinc.

Steel prices are soaring as countries around the world unleash trillions of dollars of stimulus spending to boost the global economy. Infrastructure projects, such as the repair and replacement of old bridges, tend to be popular and these require significant steel inputs.

The coal produced by Teck is used in the steelmaking process. Demand should be robust in the next few years and Teck is already enjoying a surge in purchases from China due to a trade dispute between the planet's largest steel producer and its neighbour, Australia, which is also a supplier of metallurgical coal.

Copper currently trades near US\$4.40 per pound, up from US\$2 in March 2020. The copper market is expected to remain strong for several years as the world shifts to solar and wind power generation and electric vehicles. All three of these sectors use significant copper in their production processes.

Teck Resources is a low-cost producer and the company becomes a cash machine when commodity prices soar. The stock currently trades near \$29 per share at writing. That's already up substantially from the 2020 lows, but coal, copper, and zinc are likely in the early innings of the recovery and more gains should be on the way. It wouldn't be a surprise to see Teck hit \$40 by the end of next year.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) has trailed its oil sands peers in the 2021 recovery. This is a surprise to

many long-term followers of the stock as Suncor has historically been viewed as a top pick among the major Canadian energy names.

The pandemic hit all three of Suncor's divisions, which is something that didn't occur in previous downturns in the oil market. In the past, a drop in oil prices normally occurred as a result of oversupply while fuel demand remained strong.

Suncor's refining and retail operations normally provide a nice hedge when production margins fall. In the pandemic, however, fuel demand plunged as airlines eliminated thousands of flights and office employees stayed home.

The recovery in oil prices is boosting cash flow in the upstream business and fuel demand will recover through 2022. Suncor trades near \$24 per share at the time of writing. The stock was \$44 before the pandemic. Once some operational issues get sorted out in the coming months and commuters hit the highways again, the stock should start to attract new attention.

A dividend increase should be on the way next year to rebuild the payout after last year's 55% distribution cut. Assuming oil prices hold their gains and air travel recovers, Suncor stock should move meaningfully higher in the next 12-18 months.

The bottom line on cheap stocks

Teck Resources and Suncor look [undervalued](#) right now in an otherwise expensive market. If you have some extra cash to put to work in a commodity-focused portfolio, I think these stocks deserve to be on your buy list.

CATEGORY

1. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TECK.B (Teck Resources Limited)

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