3 of the Best Canadian Stocks to Buy on the Dip

Description

Buying stocks on the dip can be a highly profitable strategy. However, one should take caution while buying stocks on the dip. At times, there are good reasons behind the decline in a stock's price, and the recovery in such stock could be elusive.

Notably, Canadian stocks headed north over the past year because of solid buying amid an improved operating environment. However, profit booking and valuation concerns led to a healthy pullback in most Canadian stocks, providing investors a solid buying opportunity.

With this in the background, I have zeroed in on three Canadian stocks that have erased some of their gains but have solid fundamentals, implying that investors could rely on these stocks and buy the dip for solid returns.

Suncor Energy

The first stock on my list is **Suncor Energy** (TSX:SU)(NYSE:SU) that corrected by approximately 15% in three months. The decline in the Suncor stock reflects the recent weakness in crude prices and profit booking to a certain extent.

I see the weakness in the crude prices as transitory. Moreover, I expect crude prices to trend higher, reflecting increased economic activities and higher demand. Furthermore, I am bullish on Suncor owing to its integrated assets, favourable product mix, lower breakeven costs, and investments in the base business. Also, its focus on cost optimization, margin improvement, and debt reduction augur well for future growth.

Suncor's capital-allocation strategy indicates that it could continue to enhance its shareholders' returns through share buybacks and regular dividend payments.

Cineplex

Cineplex (TSX:CGX) is another stock that should be on your radar. The entertainment company took huge losses, as the COVID-19 pandemic wiped out demand and disrupted its operations. Though its stock recovered quite a lot, it continues to trade at a significant discount from pre-pandemic levels. While Cineplex stock could remain volatile in the near term, its long-term prospects remain solid.

I believe the normalization of its operations and recovery in consumer demand could boost its financials and, in turn, its stock price. The accelerated pace of vaccination and reopening of business support my bullish outlook.

I expect Cineplex's revenue, capacity, and net cash burn rate to improve sequentially. Moreover, a strong slate of movies, reduction in costs, the launch of its subscription program, and focus on food delivery services bode well for future growth.

Kinross Gold

The weakness in gold prices has weighed on the **Kinross Gold** (TSX:K)(NYSE:KGC) stock, which has declined over 23% in three months and about 33% in one year. However, I believe the dip in the stock is an excellent opportunity for investors with a long-term mindset.

I maintain a bullish outlook on gold and expect Kinross Gold to benefit from its increased exposure to gold. Its high-quality production, strong project pipeline, low-cost mines, and robust balance sheet provide a solid foundation for growth.

Meanwhile, Kinross Gold rewards its shareholders with regular dividend payments, which is encouraging. Kinross Gold stock trades much cheaper than its peers, making it an attractive bet. It is trading at an EV/EBITDA multiple of 3.7, which is well within investors' reach.

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TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CGX (Cineplex Inc.)
4. TSX:K (Kinross Gold Corporation)
5. TSX:SU (Suncor Energy Inc.)

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