TFSA Investors: 2 Cheap Stocks to Own for 2022

Description

Canadian investors are searching for undervalued stocks to add to their TFSA portfolios ahead of the anticipated global economic recovery in 2022.

Teck Resources

Teck Resources (TSX:TECK.B)(NYSE:TECK) produces steel-making coal, copper, and zinc. The company is also a partner in the Fort Hills oil sands facility.

A global industrial metals rally is underway, and the trend is expected to continue in the next few years, as government infrastructure spending ramps up to boost the post-pandemic economy. Steel prices have already soared in 2021 amid tight supplies and growing demand. China is a key steel maker, and the country increased its orders for Teck's metallurgical coal over the past few quarters. Part of the increase is due to a trade spat between China and Australia, which is a significant coal supplier. Met coal prices are moving higher and could see a decent tailwind over the next 12-18 months.

On the copper side, the price of the metal is up from US$2 per pound in March last year to US$4.25 at the time of writing. Copper is used in the manufacturing of wind turbines, solar panels, and electric vehicles. Investments in these sectors are expected to increase in the coming years, as the world shifts to renewable energy and aims to reduce fossil fuel use for transportation. The copper market might get tight as demand increases. Teck is about 50% of the way through the construction of a new mine, but the industry doesn't have significant new production coming online in the medium term.

Oil prices are up significantly in 2021. Fort Hills is dealing with operational issues that have hindered output, but the situation should be resolved by the end of the year or in early 2022.

Teck Resources currently trades near $28 per share. Previous rallies off market crashes suggest the stock could go much higher.

Suncor

Suncor (TSX:SU)(NYSE:SU) trades near $23.50 per share at the time of writing. The stock is down from its 2021 high around $31 and way off the pre-pandemic price of $44. Interestingly, WTI oil currently trades higher than it did before the COVID-19 crash. All things being equal, Suncor looks undervalued today for TFSA investors.

The reason for the large discount in the stock is connected to the downstream operations. Suncor has refining and retail businesses that saw demand plunge, as commuters parked their cars in the driveway and airlines slashed capacity by as much as 90%. Vaccines are helping to get the economy back on track, but the spread of the Delta variant is delaying a return to offices and slowing down the rebound in air travel.

Oil trades near US$69 per barrel. That's down from the 2021 high around US$76 but still at a very profitable level for Suncor. The company runs the Fort Hills oil sands project, so part of the recent weakness in the share price is attributed to the challenges at the facility.

Beyond 2021, the outlook for Suncor's three divisions should be positive. Oil prices could retest the US$75 mark in 2022, as commuters head back to offices and air travel restrictions ease.

The bottom line

The overall market is expensive today, but Teck Resources and Suncor look cheap right now for TFSA investors who are searching for top stocks to add to their portfolios ahead of 2022.

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