3 Cheap TSX Stocks to Buy Right Now

Description

Many newcomers shun investing in stock markets because of the volatility risk. However, that risk gets diversified away when you are in for the longer term. After all, managing risk and not eliminating it altogether will make you richer. Here are three top TSX stocks that could outperform in the long term.

Tourmaline Oil

The energy sector has had a wonderful run so far this year. While it may continue to soar higher, I am more optimistic about the Canadian natural gas producer **Tourmaline Oil** (TSX:TOU).

It has delighted investors this year with 150% returns. Moreover, this could just be the start considering the management's updated outlook and rallying natural gas prices.

Tourmaline Oil is flush with cash with record financial growth this year. As a result, it declared a special dividend, higher than its annual payout, last week.

Higher production, coupled with higher gas prices, drove its superior earnings growth. Importantly, Tourmaline stock could continue to see continued rally due to its margin expansion and above-average free cash flow growth.

A cheaper valuation, robust balance sheet, and decent dividend yield are some of its other positives. Also, economic reopenings and heating season could keep gas prices elevated, ultimately boosting Tourmaline Oil stock.

Canadian Natural Resources

Here's another bet from the energy sector. Canada's biggest energy company by market cap, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), is one of my favourite stocks on the TSX. Not only because it has returned 120% since last year, but mainly because it is well placed for expected higher energy demand.

Canadian Natural has a diversified product base that enables relatively stable earnings. CNQ saw its revenues jump to $6.5 billion in the latest reported quarter, registering a 127% rise year over year.

Its net income came in at $1.5 billion for the quarter that ended on June 30, 2021. It posted a loss of $310 million in the same quarter last year. Importantly, it could see similar growth in the second half of 2021, driven by higher energy commodity prices.

Also, Canadian Natural has a sound balance sheet with a decent liquidity position, conveniently covering shareholder payouts. It is currently trading at a dividend yield of 4.2%, higher than its peers.

Interestingly, crude oil has rallied more than 90% since last year amid reopening hopes. Imagine where oil could take these energy stocks when full reopening is achieved post-pandemic. I think CNQ is poised for handsome growth driven by its discounted valuation, free cash flow potential, and decent dividends.

Fortis

After two growth stocks, the third one is a defensive bet. Top utility stock **Fortis** (TSX:FTS)(NYSE:FTS) could be a decent bet for passive income, particularly in volatile markets.

Stocks like Fortis are not much affected by broad market uncertainties or business cycles. Because utility companies earn stable revenues irrespective of economic scenarios. That's why conservative investors prefer these recession-resilient stocks.

FTS currently pays a 3.5% dividend yield. Investors can expect a nice annual increase in Fortis's dividends, driven by its stable earnings growth.

Instead of earning a couple of percentage higher returns with higher risk, Fortis offers an appealing proposition to earn average returns with below-average risk.

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2. Energy Stocks
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1. Editor's Choice

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:FTS (Fortis Inc.)
5. TSX:TOU (Tourmaline Oil Corp.)

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