



3 Cheap Canadian Stocks to Buy Today

Description

The Canadian stock market has been topsy-turvy as we head into October 2021. Once again cyclical/[value stocks](#) are starting to outperform high-growth technology stocks. While exposure to high-growth tech is important over the long run, value and dividend stocks look very attractive today.

A good time for Canadian energy stocks

Generally, these commodity-sensitive stocks are good portfolio hedge against rising inflation. Given that supply chain challenges could be around for longer than many of us would like, some exposure to energy, infrastructure, and defensive utilities is not a bad idea.

On Monday, the price of WTI crude hit over US\$78 per barrel. That is [the highest price achieved since 2014](#)! However, since the pandemic, energy production has pulled back, despite demand recovering at a faster-than-anticipated rate. This makes it a good time to own Canadian energy stocks. Here are three that look interesting today.

Suncor: A top Canadian oil stock

Despite the strength in the sector, **Suncor** ([TSX:SU](#))([NYSE:SU](#)) has still underperformed its peers. It only trades with price-to-earnings (P/E) ratio of eight! The company has faced some operational challenges that continue to hamper investor sentiment. Yet this Canadian stock is materially better than it was a year ago. The company has reduced its cost base, streamlined its core operations, and lowered debt.

Today, at \$35 per barrel, it can cover its operating costs, sustaining capital, and its 3.1% [dividend](#). Any price over \$35 per barrel is just a stream of free cash flow. That means at today's price, it is earning \$43 in gravy. With this it has flexibility to pay down debt, buy back lots of stock, and increase its dividend.

While retail investors have largely supported the recent rally, some institutional investors could soon

return to the sector. As a result, a major large-cap stock like Suncor could be a beneficiary of capital inflow. Consequently, this Canadian stock could still see further attractive upside from here.

Pembina Pipeline: A leader in energy infrastructure

A slightly more defensive Canadian stock that benefits from strong oil and natural gas pricing is **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)). It owns and operates an integrated mix of pipelines, natural gas plants, and midstream facilities across Western Canada and the United States. This company has been very conservative through the pandemic. Consequently, it has maintained a strong balance sheet, and it continues to support a nice 6.22% dividend.

While a large majority of its operations are contracted, it does get upside from increased throughput volumes and wider pricing spreads on processed commodities. As a result, this business is seeing solid results across its entire business.

This Canadian stock has failed to rally with the broader sector. It only trades with a P/E ratio of 15 times. Hence, for a solid dividend and some decent capital upside, this is a great stock to buy and hold today.

Brookfield Renewables: A top renewable stock for the decade

If you just can't stomach the volatility of oil commodity markets, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) could be a good alternative. This is somewhat the antithesis to the above stocks. It is one of the world's largest pure-play owners and operators of renewable power. Across the world, it has hydro, wind, solar, battery, and distributed generation assets.

To combat climate change, renewable power will continue to be an asset that captures strong demand. Brookfield Renewables has become a key partner for large corporations (like **Facebook** and **Amazon.com**) to meet their decarbonization and electrification targets.

Today, BEP operates 21,000 megawatts (MW) of power. However, it has a 31,000 MW development pipeline that should fuel growth for the decade to come. This Canadian stock pays a growing 3.3% dividend yield now. Yet this stock is down 17% year to date, and its price looks reasonably attractive. Given its large growth potential, this stock will likely not stay depressed for much longer.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:SU (Suncor Energy Inc.)

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