2 Undervalued Canadian Stocks to Buy Before 2022

Description

I'm not letting the market's high price stop me from investing in Canadian stocks today. The **S&P/TSX Composite Index** is close to a 25% gain on the year, but there are still deals to be had.

I can understand why short-term investors may be hesitant to buy Canadian stocks while the market is at all-time highs. Volatility and valuations in the Canadian market continue to rise, making it even more difficult to predict where the market will be in a few months' time.

Long-term investors, though, don't need to be nearly as concerned with the market's price today. We long-term Foolish investors can instead focus on buying high-quality businesses and holding for the long term.

There's no question that the market as a whole is richly valued today. Not all Canadian stocks are trading at all-time highs, but there is no shortage of high-priced growth stocks trading on the TSX today.

Investing in Canadian stocks

I've got my eye on two high-quality Canadian stocks that won't cost you a fortune right now. The two picks may not be the most exciting to own, but there's nothing wrong with a boring stock.

Both companies have strong track records of delivering market-beating gains. They may not be multi-baggers in the next 12 months, but they do have the potential to drive consistent gains to your portfolio year after year.

Toronto-Dominion Bank

At a market cap of $170 billion, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is Canada's second-largest bank. The Toronto-headquartered bank also has a strong presence in the U.S., ranking it in the top-10 of American banks based on total asset size.

TD Bank, along with the rest of the Big Five, has been enjoying a solid market-beating year. Shares of the Canadian stock are up close to 30% in 2021 and that's not even including its 3.3% dividend yield.

Even though shares are just about at all-time highs, TD Bank is still trading at a very reasonable valuation. The bank stock is valued at a forward price-to-earnings ratio barely over 10 today.

On top of an affordable price tag, market-beating gains and a respectable dividend make this Canadian stock a strong buy for any long-term investor.

Northland Power

I've got a couple of renewable energy stocks on my watch list right now. After a strong performance in 2020, the sector has trailed the market's returns this year.

Shares of **Northland Power** (TSX:NPI) are down close to 15% this year. Still, the Canadian stock has managed to deliver close to 90% in growth to its shareholders over the past five years. And once you factor in the company's 3% dividend yield, Northland Power has close to doubled the returns of the Canadian market since late 2016.

The renewable energy stock trades at a premium compared to TD Bank. That's largely due to the energy stock's growth potential. The demand for renewable energy solutions only continues to increase, which is why I'm looking to increase my portfolio's exposure to this growing sector.

Down more than 10% year to date and 20% from all-time highs, this could be an excellent buying opportunity for long-term investors.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:NPI (Northland Power Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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