



RRSP Investors: 2 Cheap Stocks to Own Heading Into 2022

Description

RRSP investors are searching for top stocks to add to their self-directed portfolios for 2022. The overall market looks expensive, but some stocks still appear [undervalued](#).

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) reported solid results for Q3 2021 and is on track to hit its production targets for the year. The company has also discovered enough new gold to replace the resources it has extracted in 2021 and even added several new properties in a number of countries that could boost the resource base in the coming years.

The company's balance sheet is in great shape after several years of debt reduction, and the board actually gave investors a special return of capital in 2021 that worked out to US\$0.42 per share. That's on top of the US\$0.36 per share in dividends. At the current share price, this works out to about a 3.8% yield.

Despite the positive performance and a high gold price, Barrick Gold's TSX share price fell from close to \$40 in August 2020 to as low as \$22.50 near the end of September 2021. Since then, the share price picked up a bit of a tailwind and is now at \$26. That's still down 35% from the 2020 peak.

Gold, however, hit a price of US\$2,080 in the summer of 2020. It was around US\$1,720 in late September this year and is back to US\$1,850 at the time of writing. That's only about 11% off the 2020 high.

Gold could continue to move higher through 2022, as persistent inflation fears entice investors to buy the metal to protect purchasing power.

Barrick Gold reported Q3 2021 all-in sustaining costs on its gold production of just over US\$1,030 per ounce, so the company is enjoying good margins right now and has the potential to be a free cash flow machine. In fact, Q3 free cash flow was US\$481 million.

The company is also a significant copper producer. Copper prices soared this year and remain at a very profitable level for producers near US\$4.40 per pound. Barrick Gold's Q3 copper all-in sustaining costs came in at US\$2.60 per pound.

Volatility should be expected, but Barrick Gold stock looks oversold right now.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) had a nice run in October surging from \$61 per share to \$68. The stock has since given back those gains but is still up 17% on the year.

Investors didn't like some of the news they received when TC Energy reported Q3 2021 results. Revenue and earnings came in solid, but TC Energy backtracked on its dividend-growth guidance. For most of the year, the company had said it's capital program, now at \$22 billion, would support average annual dividend growth of 5-7%.

TC Energy raised the payout annually for the past two decades, so investors felt confident with the guidance. However, TC Energy has run into some issues with its Coastal GasLink project. Costs are above plan due to a variety of factors including COVID-19 delays. In addition, the construction has been halted again due to a protest.

The company is now in a disagreement with LNG Canada, the liquified natural gas export terminal that will receive natural gas from northeastern British Columbia producers via the Coastal GasLink pipeline, about how to share the rising costs. TC Energy is committing up to \$3.3 billion in temporary additional financing to keep the project moving.

As a result, the board has decided it will only raise the dividend by 3-5% in the next few years.

The Coastal GasLink issues should eventually get sorted out. In the meantime, investors have a chance to buy TC Energy stock on a nice dip and pick up a solid 5.7% dividend yield.

The bottom line on undervalued TSX stocks

Barrick Gold and TC Energy are leaders in their respective industries. The stocks appear undervalued right now and could deliver big gains in 2022 and beyond. If you have some RRSP cash to put to work, these stocks deserve to be on your radar.

CATEGORY

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3. TSX:ABX (Barrick Mining)
4. TSX:TRP (TC Energy Corporation)

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Date

2025/08/28

Date Created

2021/11/17

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