



RRSP Investors: 2 Undervalued Stocks to Buy in December 2021

Description

The stock market's recent pullback is finally giving RRSP investors a chance to buy attractive **TSX** dividend stocks at reasonable or even [undervalued](#) prices.

Suncor Energy

Suncor ([TSX:SU](#))([NYSE:SU](#)) is a major player in the Canadian energy sector with oil sands, refining, and retail businesses that drive revenue all along the value chain.

The integrated nature of the company is a key reason Suncor's stock historically held up better than its pure-play producer peers when oil prices dipped on situations of oversupply. The pandemic has been unique, however, in that prices plunged due to falling fuel demand. As a result, all of Suncor's groups took a beating last year and the stock tanked.

The story in 2021 is much better. Gasoline demand in Q3 2021 came in about 7% below its level in the same period last year. Suncor's Q4 results from the refining and retail operations should be solid and the production business continues to generate strong profits, even after the 13% plunge in the price of West Texas Intermediate (WTI) oil on November 26.

While new travel restrictions announced to prevent the spread of the Omicron variant could put a dent in the rebound until we find out whether vaccines work well against the new strain, the downturn could be short-lived.

Looking ahead, fuel demand should be strong through 2022 and 2023 and the recent dip in the price of oil might simply be a pause before a new surge next year. Pundits are still calling for a possible run to US\$100 per barrel.

Suncor appears cheap right now at \$32 per share. The stock traded for \$44 in early 2020 when oil was much lower than its current price. Investors who buy now can pick up a solid 5.25% dividend yield and wait for the next leg of the energy rebound.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) isn't the first name that normally comes to mind when investors think about dividend stocks, but the gold miner has been a dividend star in recent years. In fact, Barrick Gold has tripled the annualized payout since September 2018 to US\$0.36 per share. In addition, the board gave shareholders a special US\$750 million return of capital in 2021. That worked out to another US\$0.42 per share.

Gold is down about 14.5% from its 2020 high. Barrick Gold's stock price is off about 37% over the same time frame. The share prices of the miners normally move more than the price of the metal, but the sell-off in Barrick Gold looks overdone.

Why?

The company has a strong balance sheet and is replacing reserves at an impressive rate. All-in sustaining costs for its gold production in Q3 2021 came in at US\$1,034 per ounce. Gold trades near US\$1,780 at the time of writing and was recently at US\$1,870. At current prices, Barrick Gold generates strong margins and the Q4 free cash flow number could be better than the US\$481 million the company generated in the third quarter.

Gold is widely viewed as a hedge against inflation and as a safe-haven asset. The inflation story has not changed in the past few days, despite the new Omicron fears, and more market volatility could be on the way as additional news of the spread of the variant hits headlines in the coming weeks and months. As a result, the recent pullback in gold could be short-lived. It wouldn't be a surprise to see gold take a run at US\$2,000 per ounce again by the end of next year.

If you are a gold bull, Barrick Gold stock looks undervalued today.

The bottom line on cheap stocks for RRSP investors

Suncor and Barrick Gold are leaders in their industries. The stocks appear cheap right now and investors could see total returns outpace the broader market in 2022.

If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

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