



2 Top Oversold TSX Stocks to Buy in December 2021

Description

The market pullback is providing investors who missed the big 2021 rally with a chance to pick up some top TSX stocks at [undervalued](#) prices.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) trades near \$23 per share at the time of writing. The stock is down 26% in 2021 and more than 40% off the 2020 high.

The terrible performance of the share price is a surprise given the fact that Barrick Gold had a pretty good year. The company gave investors a US\$750 million return of capital that worked out to US\$0.42 per share. That's on top of the US\$0.36 per share the company paid in dividends. Combined, the payouts provide an annualized return of better than 4% at the current share price.

The price of gold is around US\$1,785 per ounce. That's only about 14% below the 2020 peak. Safe-haven demand could drive it back to the 2021 highs near US\$1,950 in the next few months, especially if the Omicron variant proves to be more transmissible than Delta and is able to break through existing vaccination protections.

Even if gold remains at its current price, Barrick Gold stands to generate strong revenue, profits, and free cash flow to support a dividend increase or another special payment to investors.

The company effectively wiped out its debt in recent years and is investing the capital needed to replace resources. With six of the top 10 gold mines on the planet and substantial copper operations, Barrick Gold is positioned well to deliver solid returns for investors.

Algonquin Power

Algonquin Power (TSX:AQN)([NYSE:AQN](#)) operates hydroelectric, solar, and wind facilities. It also owns electricity, water, and natural gas utilities.

The stock trades near \$17.50 per share compared to the 2021 high around \$22.50. Investors who buy now can pick up a 4.9% yield and potentially get a 10% dividend hike in 2022.

Algonquin Power recently announced a large acquisition. The purchase of Kentucky Power for US\$2.846 billion will boost the customer count by 228,000 or roughly 19%. The deal also increases the regulated rate base by 32% and adds 37% to the size of the distribution and transmission infrastructure.

At closing, nearly 80% of Algonquin Power's business portfolio will be regulated assets. That's good news for dividend investors who want predictable and reliable cash flow.

Algonquin Power announced a bought deal financing worth \$800 million at \$18.15 per share when it released the news of the takeover. The market is waiting to see how the company will finance the rest of the deal.

Algonquin Power raised the dividend by 10% in 2021. It has increased the payout by double digits each year for a decade.

The stock might tread water for a while until management provides more details on the final financing of the Kentucky Power acquisition, but you get paid well to wait for the uncertainty to clear.

The bottom line on cheap TSX stocks to buy now

While Barrick Gold and Algonquin Power have underperformed the market in 2021, they could deliver big returns next year. If you have a contrarian investing style, these stocks deserve to be on your radar today.

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Date

2025/07/04

Date Created

2021/12/06

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