2 Top Undervalued TSX Stocks to Buy in December for 2022

Description

Canadian RRSP and TFSA investors are searching for good stocks to buy for their self-directed retirement portfolios. The recent pullback in some top TSX stocks is providing an attractive entry point for those who missed the 2021 market rally.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) trades near $160 per share at the time of writing. That's down from the 2021 high of $168 it hit in October.

CN tried to make a big acquisition this year, and the turmoil around the US$30 billion bid for **Kansas City Southern**, a U.S. railway with routes in Mexico, caused CN's share price to go through some uncharacteristic turbulence. In the end, CN abandoned the effort due to regulatory roadblocks. KCS is moving ahead with its original plan to merge with **CP Rail**. CN walks away with some extra cash as part of a break fee and is now refocusing its efforts on making the existing business more efficient in 2022.

A new CEO will arrive in 2022, and CN has indicated it will scale back its capital program after some heavy spending in the past couple of years. CN should deliver strong free cash flow in 2022, and it wouldn't be a surprise to see the board raise the dividend by at least 10%. CN already restarted the share-buyback program after it was halted due to the acquisition plans.

CN has delivered strong total returns to shareholders since it went public in the mid-1990s. A quick look at the chart indicates that buying CN stock on pullbacks tends to be a rewarding move over the long haul. The railway is a key part of the smooth operation of the Canadian and U.S. economies. As the post-pandemic recovery ramps up in the next two years CN should see demand for its services increase.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $48 per share at the time of writing. That's down from the recent high of $54, so investors who missed the rally this year have a chance to buy Enbridge at a reasonable price.

Enbridge reported solid Q3 2021 results, and the outlook for 2022 is positive. The rebound in fuel demand in 2021 helped drive higher throughput on Enbridge's oil pipelines. At the same time, the company put $10 billion in capital projects into service this year. The natural gas transmission, storage, and distribution businesses continue to perform well, and Enbridge is expanding its renewable energy portfolio.

The company just added $1.1 billion in new natural gas and renewable energy projects to its development program. This is in addition to the recent US$3 billion acquisition of a key oil export terminal and related pipeline infrastructure in Texas.

With new cash flow coming and ongoing developments added to the mix, Enbridge expects distributable cash flow to grow by 5-7% over the next few years. The board just raised the dividend by 3% for 2022, marking the 27th straight year of dividend increases.

The stock looks undervalued today, and the new dividend provides a 7% annualized yield.

The bottom line on top stocks to buy now for 2022

CN and Enbridge are leaders in their industries and should deliver attractive total returns in the coming years. If you have some cash to put to work in an TFSA or RRSP portfolio these stocks appear cheap right now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/09/12
Date Created
2021/12/13
Author
aswalker