



RRSP Investors: 2 Cheap Canadian Stocks to Buy Now for 2022

Description

RRSP investors are searching for top stocks to add to their portfolios for 2022. The broader stock market looks expensive, but investors can still find quality stocks that appear [undervalued](#) and should deliver solid returns in the coming year.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) is Canada's largest integrated energy company with production, refining, and retail businesses. The balanced revenue stream makes the stock attractive in normal economic times.

The pandemic, however, hasn't been normal. Lockdowns and travel restrictions hammered fuel demand in 2020. That sent oil prices into a nosedive and put all of Suncor's business units in a rough spot. The board reacted with a 55% dividend cut to preserve cash flow. The move upset long-term income investors, and Suncor's stock took a beating as a result.

The past year saw the company's fortunes reverse. Oil prices rebounded on the back of a recovery in fuel demand as economies opened up and travel restrictions eased. The Omicron variant will slow down the rebound in fuel consumption, but the broader outlook for 2022 should be positive.

Suncor recently raised the dividend by 100% to bring the payout back to the 2019 level. The company is also using excess cash to aggressively reduce net debt and buy back stock. This should benefit investors in the coming years, as more cash will be available and fewer shares will split the payouts.

Suncor trades near \$31.50 per share at the time of writing and offers a 5.3% dividend yield. The stock was \$44 before the pandemic, when the price of oil was actually a lot lower than it is today. The refining and retail operations are back on track and Suncor's upstream business generates strong margins at the current WTI oil price near US\$75 per barrel.

Suncor stock appears cheap right now, and it wouldn't be a surprise to see it top \$40 by then end of next year.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) stock is down 24% in 2021. The price of gold, however, is only down 5.5%. The share prices of the gold miners are typically more volatile than the price of gold, but the gap in the pullback in the case of Barrick Gold appears overdone.

Barrick Gold's balance sheet is in great shape after a multi-year effort to reduce debt. The company is on track to hit its 2021 production guidance and successful exploration efforts in the year have replaced the gold that has been extracted. Barrick Gold owns six of the top 10 tier-one gold mines on the planet and is also a large copper producer.

Gold trades above US\$1,800 per ounce right now and could catch a nice tailwind in 2022, as investors seek protection against inflation and look for a safe haven to protect wealth amid ongoing COVID-19 uncertainty.

Barrick Gold generated strong free cash flow in Q3 2021, and the Q4 results should also be solid. A dividend increase and/or another special return of capital could be on the way for investors in 2022.

The stock trades around \$24 per share at the time of writing compared to the 2020 high close to \$40. If gold simply gains 10% in 2022 Barrick Gold's stock price could soar.

The bottom line on top RRSP stocks for 2022

Suncor Energy and Barrick Gold appear cheap right now in a market that looks overbought. The companies are leaders in their respective industries and could deliver strong total returns for RRSP investors in the coming year.

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2. Metals and Mining Stocks

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Author

aswalker

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