



## 2 Top TSX Stocks to Put on Your TFSA Buy List

### Description

[TFSA](#) investors are searching for [undervalued](#) TSX stocks to buy that have the potential to deliver big gains in 2022.

### Suncor

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) trades near its 12-month high, but the stocks still appears cheap when you take a look at how profitable the business is right now and where fuel demand is headed later this year.

In the Q3 2021 earnings report Suncor revealed an important rebound in the refining and retail segments of its operations. These groups took a beating when fuel demand plunged in 2020, but generated very strong results in the third quarter of last year, as holiday travel recovered. The arrival of the Omicron COVID-19 variant near the end of 2021 has forced airlines to slow capacity expansion in Q1 2022, and office workers will likely stay home until the spring, but the outlook for fuel consumption for the second half of 2022 should be robust.

On the production side, Suncor is generating strong margins at current oil prices. In fact, WTI oil is approaching US\$90 per barrel. Brent oil is already above that mark. Analysts widely expect a run to US\$100 by the end of the year, and strong demand is expected to keep the market elevated for some time beyond 2022.

Suncor stock trades near \$36 per share at the time of writing. It was \$44 per share before the pandemic, when WTI oil sold for US\$60 per barrel. Given the market outlook for fuel demand and the soaring oil price, Suncor's stock appears attractive right now.

Investors who buy the stock at the current share price can pick up a solid 4.6% dividend yield. It wouldn't be a surprise to see Suncor give investors another large dividend increase when the Q4 2021 or Q1 2022 results are announced.

## TransAlta Renewables

Investors who are searching for [ESG](#) stocks to add to their TFSA portfolios might want to consider **TransAlta Renewables** ([TSX:RNW](#)). The company owns wind, solar, and hydroelectric power generation assets in Canada, the United States, and Australia. It also has natural gas infrastructure and gas-fired power stations and is investing in power storage projects.

The stock took a hit in 2021 after a run of bad luck at some of its facilities. Weak wind conditions, an unplanned outage at a gas-fired power station, and the discovery that 50 wind turbines need new foundations all combined to drive down the share price. The interruptions to cash flow are frustrating, but the situations are being addressed, and the stock now appears oversold.

TransAlta Renewables continues to make strategic acquisitions and is investing in new projects to drive revenue and cash flow growth. At the time of writing, the stock trades near \$17 compared to \$22 a year ago. TFSA income investors who buy now can pick up a 5.5% dividend yield.

## The bottom line on top stocks to buy for a TFSA

Suncor and TransAlta pay attractive dividends and trade at prices that look undervalued in an overall market that still appears expensive. If you have some cash to put to work in a TFSA focused on passive income or total returns, these stocks deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:RNW (TransAlta Renewables)
3. TSX:SU (Suncor Energy Inc.)

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