



RRSP Investors: 2 Top Canadian Stocks to Buy in February

Description

Canadian savers are searching for top TSX stocks to add to their self-directed [RRSP](#) portfolios.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) generated fiscal 2021 net income of \$16.1 billion, up 40% from fiscal 2020. Return on equity was a strong 18.6%, and Royal Bank finished the year with a CET1 ratio of 13.7%. This means the bank is sitting on significant excess capital it can deploy to through dividend increases, share buybacks, and acquisitions.

The board raised the quarterly dividend by 11% when Royal Bank announced Q4 2021 results. The new quarterly payout of \$1.20 per share provides an annualized yield of 3.3% at the time of writing.

Royal Bank should benefit from expected interest rate increases in Canada and the United States this year. Higher rates tend to lead to better net interest margins for banks. Rate hikes could begin as soon as next month and might continue steadily through 2023, as the central banks try to tame high inflation.

Royal Bank should be a solid buy-and-hold pick for RRSP investors. A \$10,000 investment in RY stock 25 years ago would be worth about \$265,000 today with the dividends reinvested.

Barrick Gold

Advisers often recommend having gold exposure as part of a balanced portfolio. Gold stocks underperformed in 2021 and could be due for a rebound in 2022.

Barrick Gold ([TSX:ABX](#))([NYSE:GOLD](#)) looks attractive at the current share price near \$25. The company spent several years cleaning up its balance sheet after nearly getting buried under US\$13 billion in debt. Sales of non-core assets and the rebound in the price of gold helped Barrick Gold get to the point where it wiped out net debt.

The company continues to invest in new resource opportunities and owns six of the top 10 mines on the planet. Barrick Gold is also a significant copper producer. The copper business diversifies the revenue stream and should perform well in the coming years, as the construction of solar panels, wind turbines, and electric vehicles soaks up supply at a faster pace.

Barrick Gold reports Q4 2021 results on February 16. Investors should see strong free cash flow generation in the quarter and could receive a dividend hike. The board has tripled the payout since September 2018. Barrick also gave investors a special return of capital last year that amounted to US\$0.42 per share. Another bonus could be on the way.

Gold currently trades near US\$1,820 per ounce. That's only about 12.5% below the 2020 peak. ABX stock, however, is down close to 37%. Barrick Gold's all-in sustaining costs in Q3 2021 came in at US\$1,034 per ounce, so the miner is making good margins at current gold prices.

Inflation fears could drive gold demand higher in 2022. At the same time, investors might rush to buy gold as a safe-haven investment in the event Russia decides to invade Ukraine. Money might also flow to gold from cryptocurrencies, as global governments continue to target the crypto [sector](#).

The bottom line on top stocks for RRSP investors

Royal Bank and Barrick Gold are leaders in their respective industries and should be good stocks to buy for a self-directed RRSP right now. If you have some cash to put to work in your retirement fund, these stocks deserve to be on your radar.

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:ABX (Barrick Mining)
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