



RRSP Investors: 2 Cheap Stocks to Buy Now

Description

The **TSX Index** continues to hit record highs, but investors can still find top stocks at cheap prices to add to their RRSP portfolios.

Barrick Gold

Barrick Gold ([TSX:ABX](#))([NYSE:GOLD](#)) spent a number of years cleaning up its balance sheet. The effort resulted in the reduction of a debt load of US\$13 billion to a position of zero net debt. The turnaround surprised many analysts, and the market still hasn't figured out that this company is a different beast than it was in the past decade when overpriced takeovers nearly buried the firm.

The rebound in the price of gold means Barrick Gold now has the potential to be a free cash flow machine. Gold currently trades near US\$1,965 per ounce. It surged as high as US\$2,078 in March, which wasn't too far off the 2020 high. A move back above US\$2,000 is likely in the coming weeks or months, and gold could hit a record high by the end of the year, as investors seek out a safe haven for their cash amid turbulent geopolitical times and rising inflation.

Barrick Gold stock trades near \$31 on the TSX at the time of writing. It was close to \$40 in the summer of 2020 when gold hit US\$2,080. If you look at the strength of the balance sheet and the outlook for reserve expansion in the coming years, Barrick Gold appears undervalued right now.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) trades near \$19 per share compared to \$22.50 in February last year. Investors sold renewable energy stocks through most of 2021 and Algonquin Power took an extra hit after announcing the US\$2.85 billion takeover of Kentucky Power.

Algonquin Power has renewable energy assets that do not generate regulated streams of revenue, but it isn't a pure-play renewable stock. In fact, Algonquin Power is more of a utility play with its water, electricity, and natural gas distribution businesses. The addition of Kentucky Power adds US\$2 billion

in regulated assets and will shift the revenue stream even more to the regulated utility side. This should make investors more comfortable owning the stock.

Algonquin Power has a US\$12.4 billion capital program in place through 2026 to drive rate-base growth on top of the boost the firm will get from integrating the Kentucky Power assets. About 70% of the capital plan is targeted at the regulated services segment of the business. Management expects adjusted earnings to grow by 7-9% in the next few years.

Algonquin Power raised the dividend by 10% per year over the past decade, and more distribution increases should be on the way that are at least in line with profit expansion.

The stock looks cheap today and offers a solid 4.4% dividend yield.

The bottom line

Volatility should be expected, but Barrick Gold and Algonquin Power look undervalued for investors to buy right now in an otherwise expensive market. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar today.

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