TFSA Wealth: 2 Cheap TSX Stocks to Buy Now

Description

The **TSX Index** is hitting new highs, but some top stocks still look undervalued and could deliver big gains for investors through the rest of 2022 and beyond.

Suncor

Suncor (TSX:SU)(NYSE:SU) is finally catching a bit of a bid from reluctant energy investors who shunned the stock over the past two years. Suncor shocked loyal shareholders in the spring of 2020 when it slashed the dividend by 55% to preserve cash flow. Industry peers that maintained their payouts have enjoyed much better investor support and have seen their share prices soar to record highs.

Suncor used the rebound in 2021 to reduce debt and buy back stock. The board then raised the dividend by 100% in late 2021 to bring the payout back to the 2019 level. With the price of WTI oil well above US$100 per barrel and demand soaring for Canadian oil Suncor should see profits surge this year, and another large dividend hike could be on the way when the company reports the Q1 or Q2 2022 results.

Suncor trades near $41 per share at the time of writing and provides a 4% dividend yield. The stock was $44 before the pandemic when WTI oil traded near US$60 per barrel. Today, oil is US$113.00.

Rising demand and sanctions on Russia will likely keep oil prices in triple digits for some time. Suncor looks cheap right now, and it wouldn’t be a surprise to see the stock top $50 before the end of the year. In the meantime, you get paid well to wait for the next leg to the upside.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) trades near $18 per share compared to more than $23.50 in early 2021. The renewable energy sector sold off for much of last year, as investors booked profits after a steep rally in 2020. TransAlta Renewables, however, also had some company-specific issues that put added pressure on the share price.

The business sustained unplanned downtime at a gas-fired power plant in the second quarter of last year and then found out that the foundations supporting 50 wind turbines need to be replaced at its Kent Hills site in New Brunswick. The wind facilities are out of action until the work gets done to fix the issue, but investors now have a clear picture of the costs and the timeline for the repairs.

On the positive side, TransAlta Renewables continues to grow through strategic acquisitions and capital projects. New revenue on both fronts in 2022 will help offset the hit from the Kent Hills shutdown. Looking ahead, demand for renewable power is rising, as businesses and communities seek to meet ESG goals.

The stock appears oversold right now, and investors can pick up a solid 5.25% dividend yield.

The bottom line on cheap stocks to buy now

Suncor and TransAlta Renewables look cheap today in a market that is arguably overbought. If you have some cash to put to work in a TFSA focused on value and dividends these stocks deserve to be on your radar.

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