



2021 Top Picks: 2 Canadian Stocks I'd Buy in the New Year!

Description

Trying to predict the direction of short-term movements in the stock market is a losing game. The market doesn't always act rationally, which is why long-term investors often outperform short-term day traders.

A global pandemic caused all sorts of damage throughout most of 2020. However, the Canadian stock market finished the year at a gain of close to 5%. I wouldn't think that many investors would have predicted in March of 2020 that the **S&P/TSX Composite Index** would end the year positive.

My point is that when you're investing for the long term, you have the luxury of not needing to worry about short-term movements in the market. Long-term investors should instead keep their focus on buying quality [market-leading companies](#) and not selling when the market decides it's time to crash.

I've reviewed two top Canadian stocks that I'll be looking to add to my portfolio in 2021.

The return of value stocks

High-flying growth stocks stole the show in 2020. The COVID-19 pandemic caused all kinds of disruptions in the economy last year, which many tech stocks opportunistically took advantage of to grow their market share.

Value stocks were left behind, as investors flocked to the market-beating tech sector. After an incredible run for many tech stocks, though, valuations are starting to reach overbought territory. Canadian investors should not be surprised to see a correction eventually hit the tech sector.

The Canadian banks didn't have a great year in 2020, but for long-term investors, they are as stable of an investment that you could ask for. Not only will they provide reliability to your portfolio, but each of the Big Five banks offers a top dividend yield, too.

For investors looking for a mix of growth potential and [passive income](#), **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) is the bank for you.

The \$135 billion bank is valued today at a very reasonable forward price-to-earnings ratio of 11.5. I wouldn't call that a fire sale, but considering the stock's track record, it's a great entry point for investors.

From a growth perspective, investors won't be able to count on TD Bank to outperform the Canadian stock market on a yearly basis. That being said, TD Bank has done pretty much just that over the past decade.

Since the beginning of 2011, TD Bank shares are up just about 100%. That's more than double the growth that the Canadian stock market has returned.

Finally, the dividend. At today's stock price, the annual dividend of \$3.16 per share is equal to a whopping yield of 4.3%.

Don't miss the boat on renewable energy stocks

When talking about the top sectors of 2020, tech stocks take the cake. Renewable energy shouldn't be far behind, though.

The renewable energy sector was already having a good year in 2020 up to November, and then the U.S. presidential election happened.

The newly appointed U.S. president Joe Biden has made his commitment to clean energy quite clear. Renewable energy was a major policy from Biden's election campaign. He's committed to adding a significant investment into the industry, part of which will go towards green energy infrastructure.

Canadians have several top renewable energy stocks to choose from. One stock that's on my radar right now is **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Shares of the renewable energy stock were up about 10% in 2020. It may have trailed some of its peers, but it easily outpaced the returns of the Canadian market.

Over the past five years, shares are up 100%. And with the renewable energy sector still in its early growth days, we could easily see the stock double before the end of 2025.

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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/01

Date Created

2021/01/08

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