3 Top Canadian Stocks You'll Want to Buy in 2021

Description

Canadian stocks trailed the U.S. market in 2020. The **S&P 500** was up more than 15%, while the **S&P/TSX Composite Index** was up not even 5%.

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The U.S. market has outperformed the Canadian market not only in the past year but for most of the past decade. That doesn't mean Canadians should be dumping all their Canadian stocks just yet, though.

Heading in 2021, the **TSX** is full of Canadian stocks with marketing-beating growth potential and top dividend yields.

Here are three top picks for Canadian investors to add to their portfolio in 2021.

One Canadian stock to outperform the market

Not even a global pandemic could slow the tech sector in 2020. Canadian and U.S. investors both witnessed an impressively long list of tech stocks become multi-baggers in less than a year.

Multi-bagger growth has led to valuations that now have some investors worried. We're seeing no shortage of unprofitable tech stocks trade at ridiculously high valuations today. That's has some investors thinking we may be living in a tech bubble.

While I'm bullish on many of those high-priced tech stocks, you don't need to break the bank if you're looking to add a market-beating tech stock to your portfolio.

Constellation Software (TSX:CSU) has quietly been one of the top Canadian stocks over the past decade. The tech company has grown an incredible 3,000% over the past 10 years. Growth has slowed as of late, but a gain of 225% is still far higher than what the Canadian market has returned.

Considering the market-beating growth that Constellation Software has put up over the past decade, the Canadian stock is reasonably priced. It trades today at a forward price-to-earnings ratio of 40.

One Canadian stock for exposure to the renewable energy sector

Tech may have been the top sector in 2020, but renewable energy was not far behind.

Growing climate concerns will likely lead to market-beating growth for many green energy stocks over the next five to 10 years. And the newly elected president Joe Biden should only help fuel that growth.

Northland Power (TSX:NPI) has seen its share price grow 150% over the past five years. Nearly 75% of that growth came from 2020 alone.

Northland Power is a perfect first green energy stock to own, as it provides broad diversification to the sector. The Canadian stock produces renewable energy from wind, solar, and hydro sources. The Toronto-headquartered company also owns and operates facilities in both Canada and Europe.

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One Canadian stock for earning passive income

The Canadian banks might not scream market-beating growth, but that doesn't mean they don't belong in a long-term investment portfolio.

The major banks have been some of the most reliable Canadian stocks to own over the past decade. Not all of the Big Five have outperformed the market over the past 10 years, but growth isn't the primary reason that I'd be looking to buy a bank stock.

There's no debating that last year was a rough year for the Canadian banks. The low-interest-rate environment has put the banks in a tough spot.

Short-term investors might not want to bother with buying a Canadian bank, as the turnaround may be a slow one. But if you're a long-term investor, this is a very opportunistic time to start a position in a Canadian bank stock.

At a market cap of $150 billion, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is Canada's largest bank. It's also the second-largest stock on the TSX.

Even though RBC is up nearly 100% over the past decade, growth isn't why I have this Canadian stock on my watch list right now.

The Canadian banks own some of the top dividends on the market, and RBC is no different. At today's stock price, the annual dividend payout of $4.32 per share is good enough for a yield of just about 4%.

If you're looking to add a steady dividend-paying Canadian stock to your portfolio, the Canadian banks are some of your best bets.

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:NPI (Northland Power Inc.)
4. TSX:RY (Royal Bank of Canada)

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ndobroruka

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