3 Top TSX Stocks to Buy to Beat Volatile Markets

Description

Many avoid investing in stock markets mainly because of the volatility risk. However, this risk gets minimized when you are investing for the longer term. Here are three such TSX stocks that could outperform in volatile markets.

Cargojet

Canada's top air freight carrier **Cargojet** (TSX:CJT) recently announced a new agreement with e-commerce titan **Amazon**. Under the agreement, Cargojet will use Amazon's two aircraft on a CMI (crew, maintenance, and insurance) basis within Canada starting mid-2021.

Amazon already uses Cargojet's charter services to move packages, which forms a large part of its revenues. Though both have not disclosed any financial terms of the recent deal, Cargojet expects additional revenue and cash flow generation opportunities.

CJT stock had a blast last year. The pandemic and ensuing lockdowns boosted e-commerce activities, which fueled Cargojet's revenues in 2020. The stock more than doubled last year, notably beating the **TSX Composite Index**.

However, this year has been a different story. CJT stock has fallen 25% so far. But I think the stock might bottom out soon. It has seen more volatility than broader markets in the past. But its bigger-than-expected correction poses an attractive opportunity for long-term investors. Its recent contract with Amazon and returning lockdowns could play well for the stock.

Fortis

Investors generally prefer utility stocks amid volatile markets. Their stable dividends and slow stock price movements outperform when broader markets turn rough. Canada's top utility **Fortis** (TSX:FTS)(NYSE:FTS) could be one of the top stocks to buy in these markets. Fortis yields 3.7% at the moment—in line with TSX stocks at large.

Fortis generates a majority of its earnings from regulated operations, which facilitates stable dividends. It has increased dividends for the last 47 consecutive years. It intends to increase dividends by 6% per year for the next few years.

Utilities play well in a low interest rate environment, as yield-seeking investors move to high-yield stocks. Utility stocks like Fortis make a classic defensive investment, because of their lower correlation with broader markets. Fortis's reliable dividends and decent capital gain prospects make it attractive from a total return perspective.

Dollarama

The discount retailer **Dollarama** (TSX:DOL) stock peaked to its all-time highs this week after reporting its Q4 earnings. It has soared almost 50% in the last 12 months. It has been quite a consistent performer, returning more than 1,100% in the last decade.

For the fiscal year 2021, Dollarama reported revenue growth of 6% while its net income stayed flat compared to fiscal 2020. The retailer operates more than 1,300 stores in Canada, way higher than peers. Its unique value proposition, wide presence, and longstanding relationships with low-cost suppliers have played out really well for the company.

Dollarama perfectly understands the importance of its large number of stores and wide presence. That's why its focus has long been on opening new stores. In fiscal 2022, it plans to open approximately 65 new stores.

DOL stock has a tendency to remain relatively resilient amid volatile markets. It was weak during the pandemic crash last year. But it recovered fast enough and outperformed its peers.

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3. TSX:DOL (Dollarama Inc.)
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