2 Top-Performing TSX Stocks I'd Love to Buy on the Way up

Description

Buying the dip may be a popular strategy for value-oriented investors and Warren Buffett followers. While it's good to get a nice discount on shares of a company that has endured a temporary bout of pressure, I think investors may be leaving money on the table by slamming the door on the names that continue charging higher with a lack of dips in the recent past. Winners tend to keep on winning. And in some cases, the stage may be set for further wins. Such a stage may not be fully reflected in the share price, even one that's at a fresh high.

Undoubtedly, investors need to factor in the macro environment and the full magnitude of earnings-growth prospects when conducting a comprehensive valuation. An expensive stock can be cheap, and vice versa. It all depends on what investors are expecting.

In this piece, I'll run you through two top-performing TSX stocks I'd love to buy on strength. Given the macro picture and terrific company-specific traits, I'd be willing to bet that the following names are "winners positioned to keep on winning." Sure, they seem expensive based on various valuation metrics, but such metrics, I believe, do not tell the full story. Without further ado, please consider the following:

TFI International

TFI International (TSX:TFII)(NYSE:TFII) is a less-than-load (LTL) trucking company that's been white hot in recent months. The "boring" transportation play is up a jaw-dropping 75% year to date and 116% over the past year — incredible returns for such a simple company.

Hats off to management for ironing out operational issues a few years ago. The company is back, and it's not about to slow down anytime soon.

Undoubtedly, the COVID-19 pandemic has brought forth greater need for moving goods across the continent. As the economy reopens and e-commerce tailwinds fade, I expect TFI will continue to do very well. Why? We're likely still in the early innings of this expansionary cycle. What does that entail? It entails big spending on the part of consumers, as they regain their confidence. More goods will be shipping across the country, and, naturally, TFI will benefit.

Moving ahead, the bar is set rather high. The top-performing TSX stock trades at an obscene 29.8 times trailing earnings. That's well on the higher end of the historical spectrum. Still, I think TFI can surpass estimates, as it looks to continue its win streak into year-end and the post-pandemic environment.

National Bank of Canada

National Bank of Canada (TSX:NA) makes a strong case for why Canada's top banks should be referred to as the "Big Six" rather than just the "Big Five." National actually fared better than many of its bigger brothers, and that's thanks to the incredible leadership of CEO Louis Vachon.

Year to date, NA stock is up 32% and with plenty of wind at its back, I don't think the rally is about to end here or anytime soon. The 12.7 times trailing earnings multiple and 3% dividend yield are pretty in line with the broader basket of bank stocks. What separates National from the pack, I believe, is its huge exposure to the domestic economy (nearly 90% of revenues come from Canada). With the recent strength in oil prices, I think domestic banking is the place to be, especially for investors who find themselves overweight U.S. securities.

Moreover, National Bank doesn't have as much exposure to the frothiest parts of the seemingly fragile Canadian housing market, which some think could be in for a severe correction at some point in the future. Only time will tell if Canada's housing market is in a bubble. Regardless, National Bank shouldn't implode nearly as hard as some of its peers if such a bubble were to burst sometime soon.

In the meantime, expect the top-performing Canadian bank stock to keep raising the bar.

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Date
2025/07/02
Date Created
2021/07/13
Author
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