



2 Top TSX Stocks to Buy Now for 2022

Description

The market rally in 2021 has driven many top TSX stocks to new all-time highs. Investors are now wondering which top stocks might still be [undervalued](#) and would be good to buy for the anticipated economic recovery in 2022.

TD

TD ([TSX:TD](#))([NYSE:TD](#)) trades near \$84 per share at the time of writing compared to the 2021 high around \$89. The pullback looks like a good opportunity to buy TD heading into next year.

Why?

Persistent inflation could be the theme in 2022, and pundits are starting to predict interest rate hikes in the United States and Canada in the next 12 months. Bond markets are already reacting, with yields on the U.S. 10-year treasuries creeping back up to 1.5%.

A sharp spike in interest rates could trigger higher loan defaults, but rising interest rates tend to be net positive for banks, as they can generate higher net interest margins and receive better returns on the cash they have to hold to cover deposits and protect against loan losses.

TD finished fiscal Q3 2021 with a CET1 ratio of more than 14%. That's probably an excessive capital position at this stage of the pandemic, and investors should see some of the funds flow to them through higher dividends and share buybacks next year. Investors who buy TD now can pick up a 3.75% dividend yield.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is a leader in the Canadian energy sector with vast resources and production facilities that cover the full span of the hydrocarbon industry. The company is widely known for its oil sands operations, but it also has offshore oil, conventional light and

heavy oil, natural gas, and natural gas liquids production.

WTI oil is now above US\$75 per barrel. Brent crude just topped US\$80, and natural gas prices are at seven-year highs. A rebound in fuel demand combined with restricted production growth will likely keep oil and natural gas prices elevated through at least 2022.

This company was already generating significant profits earlier this year, and the continued rise in oil and gas prices will drive free cash flow even higher. CNRL is using excess cash to buy back shares and reduce debt. The board raised the dividend by 11% for 2021, and another big payout increase should be on the way in 2022.

The stock has enjoyed a nice rally off the 2020 lows but still looks cheap. Investors who buy CNQ stock at the current price near \$45 can pick up a solid 4% dividend yield and wait for the next distribution increase. It wouldn't be a surprise to see CNRL raise the dividend by 20% in Q1 next year.

Energy stocks also tend to be good bets for investors who are concerned about persistent inflation.

The bottom line on top stocks for 2022

TD and Canadian Natural Resources are leaders in their respective industries. The two companies have long track records of dividend growth and could announce big payout increases in 2022. The stocks appear reasonable at current prices and should deliver solid long-term returns.

If you have some cash to put to work, these two top TSX stocks probably deserve to be on your buy list heading into 2022.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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