1 Top TSX Dividend Stock to Buy Now for Income and Growth

Description

Tax-Free Savings Account (TFSA) and RRSP investors are searching for top **TSX** dividend stocks to put in their self-directed portfolios. The overall market remains expensive, but some stocks with attractive yields still offer decent upside potential in 2022.

Let's take a look at **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) to see why it might be a good stock to buy, even after the big rally.

Canadian Natural Resources overview

Canadian Natural Resources is a leader in the Canadian oil and gas industry with a market capitalization of $58 billion.

The company's strong balance sheet enabled it to maintain the dividend in 2020 and the rebound in oil prices at the beginning of 2021 gave the board the confidence to raise the distribution by 11% this year. Oil and natural gas prices have continued to soar and now trade at multi-year highs. The positive momentum is expected to continue in 2022 and CNQ stock investors should see a large dividend increase next year.

CNRL is using excess cash to pay down debt and buy back shares. The company provided 2021 free cash flow guidance of $7.2 to $7.7 billion after dividends and net capital expenditures. The continued rise in oil and gas prices could lead the company to raise that target when the Q3 results are released.

The stock has enjoyed a big rally off the 2020 lows. It bottomed out around $12 and now trades above $49 per share. Despite the surge, CNRL still looks attractive. This company is a cash machine in the current environment and investors who buy at this level can pick up a solid 3.8% dividend yield.

Oil and gas outlook

West Texas Intermediate (WTI) oil now trades at US$78 per barrel. Strong demand in the coming months and restrained supply increases from OPEC could lead to a move to US$100. Some pundits are even placing options bets on oil reaching US$200 a barrel. That's unlikely to occur, but a sustained climb to US$85 or US$90 per barrel in 2022 now looks like a real possibility.

At the same time, a global natural gas shortage is driving up prices ahead of the winter. Surges in power demand have resulted in drawdowns of natural gas storage normally reserved to cover the colder months. In the event we see an early cold snap, natural gas prices could soar even higher.

High natural gas prices are anticipated until at least the spring but could remain elevated for the balance of 2022 and beyond.

CNRL is a major producer of natural gas and should continue to benefit from strong demand in the coming years as countries increasingly turn to natural gas as a fuel to generate power while they expand their solar and wind capabilities.

As climate change becomes more erratic, countries are now realizing that solar, wind and hydroelectric power generation has its drawbacks when it comes to reliability. Cloudy days, reduced winds, and drought conditions have reduced renewable power output around the globe. In order to meet demand spikes, investment in gas-fired power production remains an attractive option. Coal and oil emit much larger amounts of carbon dioxide than natural gas when burned and nuclear remains out of favour after the 2011 Fukushima disaster in Japan.

The bottom line

The easy money has already been made, but CNRL remains an attractive pick for dividend investors seeking growth in 2022. It wouldn't be a surprise to see the board hike the payout by 20% next year.

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