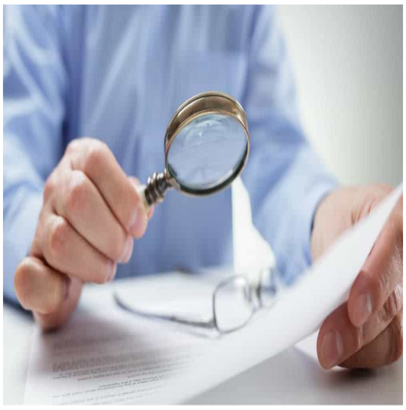

1 Top TSX Stock to Watch in 2022

Description

There are many great TSX stocks for Canadians to keep an eye on going into December. With markets continuing to roar higher, many investors are taking a bit of risk off the table. Undoubtedly, rising rates are on the horizon, and they do not bode well for higher-growth companies, especially those with stocks that have alarmingly high multiples (think stocks with price-to-revenue multiples well north of the 20 times mark). Indeed, the growth-to-value rotation experienced through the first half of this year is unlikely to be over. That's why diversification remains key in this highly uncertain market, where there are a wide range of unknowns, ranging from the U.S. Federal Reserve's monetary policy to what the future could hold in year three of the COVID-19 pandemic.

It's hard to tell what's up next or what risks to prepare for. Could inflation, a recession, or stagflation be in the cards? Or will governments have to resort to more money printing to get through what could be another few waves of lockdowns? We all want the pandemic to end in 2022. But with Germany contemplating a full lockdown amid surging daily case numbers, a move into endemic seems to be falling further and further out of reach. Not to discount all the progress, from vaccines to treatments or quarantines to vaccine passports, but the more the virus mutates, the more that will need to be done to prevent deaths and further destruction to the world economy.

2022: More uncertainty ahead

Undoubtedly, profound uncertainty makes it tough to be an investor. If you prepare for inflation, we may very well get deflation in the event of lockdowns and a further acceleration in various technological trends, including the metaverse, a place where people can meet without running the risk of contracting COVID-19 and its many insidious variants.

While pundits may have a general idea of what will happen in 2022 or 2023, I'd argue that all bets will be off the table if a surprise occurs (think a truly insidious variant that leaves few options to curb the spread other than full lockdowns). Further lockdowns could have a devastating impact, and a market correction should not be ruled out.

Fortunately, investors can spread their bets, so they're better prepared to deal with any surprises, whether it be more rate hikes or more lockdowns. Aggressive reopening stocks may still have a long, bumpy road to recovery. That's why a barbell approach still seems wise, with a mix of COVID-resilient names, many of which have been sold off in recent months, as well as reopening plays. Mixing growth, with value and defensives is also a good idea, so one is ready for any type of market "weather."

Algonquin Power: The perfect TSX stock to be ready for anything

Today, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) seems to be an intriguing option to prepare for anything. It's at the intersection between growth and value, with strong renewable energy secular trends that should outlast this pandemic. Moreover, the stock has been battered through 2021, leaving a nicer margin of safety and a lower bar ahead of coming quarters.

With a nearly 5% dividend yield, Algonquin will be rewarding investors over time, even as markets correct or crash. Indeed, COVID will disrupt projects, but the firm has a balance sheet and a resilient enough operating cash flow stream to help investors make it through more waves of volatility.

Indeed, Algonquin Power isn't looking forward to higher rates, given its heavy investments. Still, the stock has already been punished so hard, and rates may not be so fast to rise, as COVID cases climb in various parts of the world, threatening to bring us back to where we were in 2020.

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