2022 Investing Game Plan: 1 Passive-Income Stock I'd Buy Over Tanking Growth Stocks

Description

High-yield dividends are great to own in this type of environment, where tech is showing signs of fading, while inflation remains unforgiving to cash hoarders. Undoubtedly, investors face pressure from all corners going into 2022. For now, prospective returns seem incredibly weak. Just ask any strategist from a big bank.

Could 2022 surrender some of the outstanding gains posted in the past year? It's possible.

Regardless, investors can tilt the odds in their favour and improve their chances of outpacing broader markets, with good, old-fashioned dividend stocks. Many unloved, high-yield stocks in the most unloved areas of this market seem like screaming buys. As tech sags at the hands of higher rates, with some fearing a further tech implosion, like the one suffered in 2000, you'll want to move into areas that are out of the blast zone. Indeed, many names could still take a hit, even if they don't deserve to, but, at the very least, you'll rake in a hefty dividend with some of the cheap dividend growers.

Wake-up call to growth investors: Valuation always matters!

As high-multiple tech implodes on itself, some brave investors may feel tempted to catch the falling knives within the tech sector. I'll admit it's tempting to think of the upside once such battered growth stocks finally ricochet off the bottom. That said, odds are not on your side when you look to catch a falling knife without a game plan.

Indeed, rates and macroeconomic factors seem to be dictating the trajectory of many high-to-value, high-multiple stocks. Jumping in front of a freight train moving at full speed could get you flattened. That's why investors need not feel the urge to exhaust their liquidity in crashing names. Although 50% seems to be some kind of a baseline for downside risk, given the Great Recession of 2008 ended at just over 50-55% in downside, investors must realize that such a downside floor doesn't really exist, especially for high-multiple names that doubled up many times over in recent years.

Don’t feel the need to be a hero with high-multiple growth stocks

The 2000 dot-com bust may be comparable to the current environment. Many high-flyers shed over 70-80% of their value. Many firms lost well over 90-95%. Could we be headed for a similar environment? I don’t think so. That said, I do think it’s unwise to think that downside in a falling knife is capped. A stock cut in half could get cut in half again, and without earnings to show, it’s hard to evaluate a name given uncertainties regarding the magnitude and pace of coming rate hikes.

Currently, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) stands out as an intriguing buy, with its growing 4.3% dividend yield and the brighter industry environment. The stock is also dirt cheap, despite the momentum behind it. Over the past year, shares blasted off 64%. Still, the stock isn’t expensive at 11.1 times trailing earnings. It’s dirt cheap given the calibre of business you’re getting. The firm will really be able to leverage its brilliant management team, and a wealth of assets should oil continue flexing its muscles this year.

There’s no question that oil and fossil fuel stocks are among the least sexy of plays. At the end of the day, though, they’re raking in growing amounts of cash. Canadian Natural is gushing with cash and has become cheaper, even as shares blasted off this year. Whenever you’ve got surging earnings compressing a stock’s multiple and solid momentum, you could have a real winner on your hands.

CNQ stock fits the bill as a passive-income play, a value stock, an earnings grower, and a momentum stock. And it’s one of my top picks for value seekers for 2022.

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