2 Top Canadian Stocks to Buy in January 2022

Description

Despite the global pandemic not showing many signs of slowing down, 2021 was a great year for those investing in stocks. The **S&P/TSX Composite Index** ended the year up over 20%. The index is still trading slightly below all-time highs, but it's coming off a bullish last week of December.

With plenty of investing optimism being carried over into 2022, now is not the time to be sitting on the sidelines. There are plenty of top Canadian stocks trading at opportunistic discounts that I don't think will last for long.

Two Canadian stocks to put on your radar in January

Algonquin Power (TSX:AQN)(NYSE:AQN) and **Shopify** (TSX:SHOP)(NYSE:SHOP) are at the top of my watch list. With both companies trading below all-time highs, I likely won't be waiting long to pick up some shares.

Another reason to pair these two companies together is because they are very different types of investments. Algonquin Power is a slow-growing, dependable utility stock that also pays a top dividend. Shopify is a high-growth tech stock with no shortage of volatility.

If you're planning on investing in high-valued companies like Shopify, you'd be wise to own a few defensive picks such as Algonquin Power. I'll admit, there's not much to get excited about with utility stocks. But in times of volatility, which there inevitably will be, you'll be glad to one at least one utility company.

Algonquin Power

Stability and passive income are two of the main reasons why you may want to own shares of Algonquin Power.

Utility stocks are some of the most defensive companies on the TSX. Regardless of the economy's condition, revenue streams tend to be fairly predictable, keeping volatility to a minimum.

In terms of passive income, not many other TSX stocks pay a more impressive dividend than Algonquin Power. At today's stock price, the company's annual dividend of $0.87 per share yields close to 5%.

But just because Algonquin Power is a slow-growing utility stock doesn't mean it cannot deliver market-beating returns. Shares are up a market-beating 60% over the past five years. When including dividends, that's good enough for more than doubling the returns of the broader Canadian market.

Algonquin Power's growing renewable energy division is why I'm betting that the market-beating growth won't end anytime soon. With customers spread across North America and a growing product offering, Algonquin Power is gaining market share as a Canadian renewable energy provider.

Shopify

As a Shopify shareholder already, I'm looking to add to my position this month. With the tech stock trading close to 20% below all-time highs, I'm not going to miss this buying opportunity.

It was an unsurprisingly volatile year for Shopify. Shares managed to end 2021 up over 20%, slightly outperforming the broader market. But considering many growth stocks, particularly in the tech sector, largely underperformed last year, I'd say that it was a great year for Shopify.

Even with the current discount, shares of Shopify are still far from cheap. Not only is the tech stock the largest company on the TSX, but it's also one of the most expensive. That's largely due to its track record of multi-bagger gains and the growth that's expected in the coming years.

While the stock is valued this richly, volatility will likely not end anytime soon. But I'd bet that neither will the market-beating gains. If you can stomach the volatility, Canada's largest company deserves a spot in all growth investor's portfolios.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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