High Inflation: Top TSX Stocks to Buy in 2022

Description

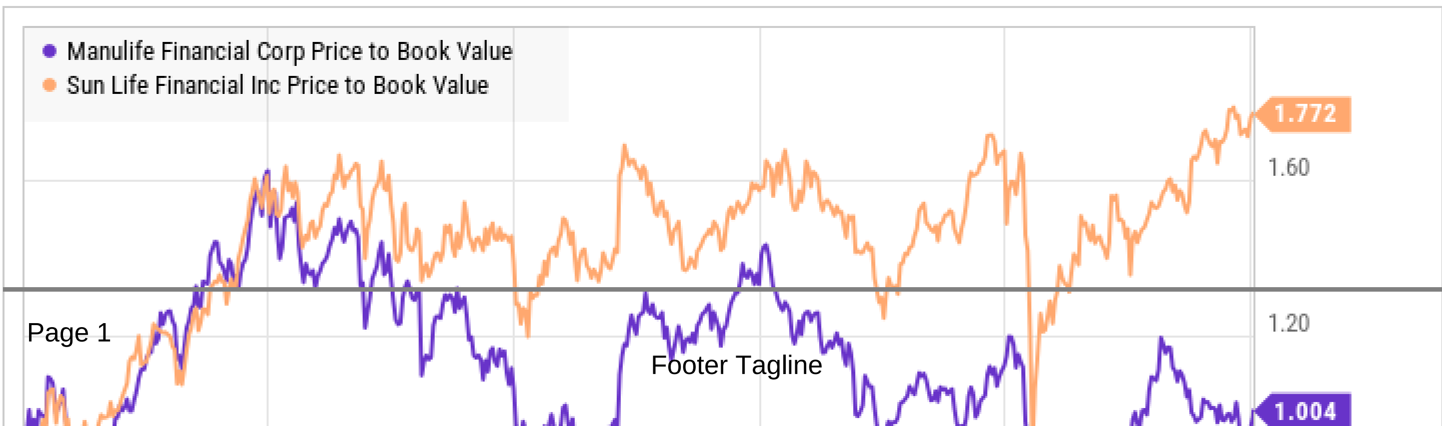
Although the Canadian stock market trades close to its all-time high, pundits believe that Canadian stocks remain relatively attractive in 2022 versus their U.S. counterparts. For example, Larry Berman, the chief investment officer and partner at ETF Capital Management, stated on *BNN* last month that "in an inflationary environment, value [stocks] will outperform growth [stocks]."

Other relatively compelling stocks to invest in during high inflationary periods include commodity stocks and businesses with lots of cash flows that are willing to buy back shares and or raise dividends. Many of these stocks also fall under the category of value stocks.

Value stocks

Traditional value stocks include the big Canadian bank stocks and the big telecoms. This is why [dividend stocks](#) like **Royal Bank of Canada** and **BCE** continue to grind higher. According to *Investopedia*, value stocks are often characterized by big dividend yields, low price-to-book ratios, and low price-to-earnings ratios (P/E). It also elaborated that "a value stock typically has a bargain price as investors see the company as unfavourable in the marketplace." Right now, the big Canadian bank stocks and the big telecom stocks aren't exactly a bargain. They're reasonably valued and are mostly viewed as "holds" by analysts.

Look in the direction of **Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) for a bargain value stock! At $25.28 per share at writing, the dividend stock trades at a P/E of approximately 7.8 — a discount of approximately 28% from its long-term normalized levels. MFC stock also trades at a roughly 33% discount from its peer's, **Sun Life**, multiple *today*. Unfortunately, [Manulife stock](#) seems to like staying in the bargain bin persistently. Below is a 10-year price-to-book chart comparison of MFC and SLF.

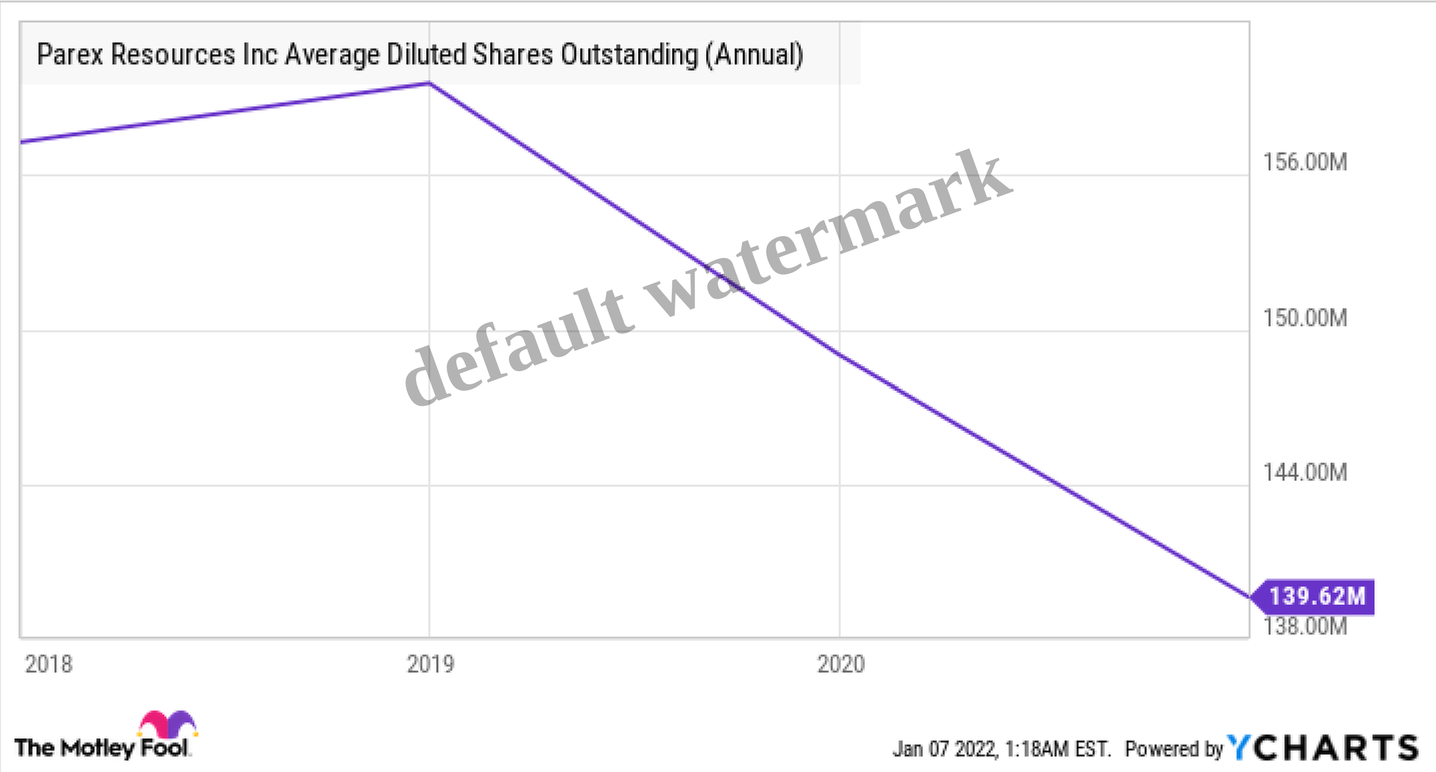


Price to Book Value data by YCharts

Nonetheless, MFC stock's recent dividend track record is decent. It has a dividend-growth streak of eight years. Its 10-year dividend-growth rate is 8.4%. It recently hiked its dividend by 18%. This was a relatively big hike after the regulator allowed Manulife and other federally regulated financial institutions to raise dividends again since the onset of the pandemic. As a result, the dividend stock yields 5.2% for investors with an appetite for income.

Commodity stock

Parex Resources (TSX:PXT) hits all three points — it's a value and commodity stock, *and* it tends to buy back shares. Its share count has gone down meaningfully since 2019, as shown in the graph below.



PXT Average Diluted Shares Outstanding (Annual) data by YCharts

The oil and gas producer is headquartered in Calgary, but its production is in Colombia. The energy stock has been generating so much cash flow that it began paying a dividend last year. At $23.89 per share writing, it yields almost 2.1%. Its payout ratio is about 18% of free cash flow on an annualized basis.

Investors should focus more on price appreciation for the energy stock, though. Last month, *Scotia Capital* reiterated its "sector outperform" rating on Parex and one-year target price of $35 per share. This is terrifically close to the 12-month analyst consensus price target of US$27.10 (CA$34.42 based on the recent foreign exchange rate between the two currencies). The average price target suggests near-term upside potential of 44%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:PXT (PAREX RESOURCES INC)

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