



Market Forecast: Value Stocks Will Carry TSX to New Highs in '22

Description

Canada's primary stock market benchmark had an impressive run in 2021 but fell short of matching its 30.69% gain in 2009. Nevertheless, the 21.74% overall return for the year was mighty impressive. Brian Belski, **Bank of Montreal's** chief investment strategist, expects another all-time high in 2022, with the **S&P/TSX Composite Index** climbing to 24,000 by the year-end.

Belski said, "Canadian equities remain a strong relative value play within global markets." He believes the expanded reopening of the economy should result to record earnings. Furthermore, it could be one of the strongest [dividend growth](#) cycles in decades, says Belski.

Top value stocks

According to BMO Capital Markets research, foreign investors bought \$30.1 billion worth of Canadian stocks in November 2021. It was the largest volume since April 2020. As of this writing, the TSX is down 2.27% year-to-date. However, market strategists anticipate [value stocks](#) to propel Canada's stock market in 2022.

Among the top value stocks today are **Canadian Natural Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **TFI International** ([TSX:TFII](#))([NYSE:TFII](#)). Apart from the [safe and sustainable dividends](#), would-be investors could realize considerable capital gains.

Dividend aristocrat

CNR, Canada's world-class transportation leader and trade-enabler, reported impressive financial and operating results in Q4 and full year 2021. In the fourth quarter, total revenue and operating income increased 3% and 11% versus Q4 2020. Notably, total revenue and operating income in 2021 climbed 5% and 8% versus 2020.

Outgoing President and CEO Jean-Jacques Ruest said, "The last months of 2021 allowed us to tangibly demonstrate our resilience, our ability to make significant progress against the goals of our

Strategic Plan.” Tracy Robinson, an industry veteran, is CNR’s new CEO effective January 25, 2022.

The Board of Directors recently approved a 19% increase in quarterly cash dividends. Because of the 26 consecutive years of dividend increase, this \$107.4 billion premier railway operator maintains its dividend aristocrat status. At \$153.05 per share, CNR pays a 1.91% dividend yield.

Steady performer

TFI International is the undisputed leader in North America’s transportation and logistics industry. Performance-wise, the industrial stock has a total return of 228.84% (48.49% CAGR) in 3.01 years. As of January 28, 2022, the share price is \$120.07, while the dividend yield is 1.13%.

The Board of Directors approved 15% and 17% dividend increases in September and October 2021. Market analysts have a 12-month high price target of \$177.22 (+47.6%) for the \$11.17 billion company. It has yet to report its 2021 results, although cash flows were robust in the first three quarters.

TFI’s Chairman, President, and CEO Alain Bédard said that despite the macro disruptions, all business segments surpassed their pre-pandemic performances. Management looks forward to maximizing efficiencies and generating strong cash flows in 2022. Moreover, the compelling benefits from TFI’s pivotal acquisition of UPS Freight are still coming in the quarters ahead.

Bullish sentiment

Scotiabank’s market strategist Hugo Ste-Marie said the majority of TSX companies benefit from an improving economy. Furthermore, he cites a healthy labour market, soaring commodity prices, and resilient profit margins for bullish sentiment. CNR and TFI are excellent options if you want to add stability to your dividend portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:TFII (TFI International)
3. TSX:CNR (Canadian National Railway Company)
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