



My 3 Stock Picks for February 2022

Description

The stock market selloff that began in January seems to have subsided. The TSX Composite Index reported its first increase in 10 days (when it [corrected](#) 4.6%). These are uncertain times. Canada has imposed travel restrictions on the unvaccinated population as it battles BA.2 variant that researchers believe is immune to the current vaccine. Amid this, there is [news](#) that the U.S. Fed plans to hike interest rates as early as March, which means Canada could follow suit.

Three stock picks for February

While battling the short-term challenges, the economy is progressing towards normalcy that could fuel long-term growth trends. Looking at the current investing scenario, here are three stocks that could give you significant capital appreciation in the short, medium, and long term.

- **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#))
- **Constellation Software** ([TSX:CSU](#))
- **Magna International** ([TSX:MG](#))([NYSE:MGA](#))

Toronto-Dominion Bank stock

TD Bank is one of the six major banks in Canada and has the largest exposure to the United States. TD Bank provides retail, commercial banking solutions, wealth management and insurance, and investment banking solutions like debt and equity issues, mergers, and divestitures.

It is sensitive to interest rate changes in both Canada and the United States. Hence, when the U.S. Fed hinted interest rate hike, TD Bank's stock surged 1.5%. A higher interest rate means TD Bank can charge higher interest on loans and attracts investors in the fixed-income market. However, the interest rate hike doesn't bode well for its wealth management business. But the positives outweigh the negatives, and TD Bank stands to gain.

I expect some significant surge in TD stock in the next two years, as central banks accelerate interest

rate hikes. Apart from capital appreciation, you can lock in a [dividend yield](#) of 3.55%.

Constellation Software

While TD Bank could give you immediate returns in the short term, Constellation Software could give you significant returns in the medium and long term. As the name suggests, it is a constellation of various types of software companies providing mission-critical services to niche verticals.

Operating since 1995, Constellation has given stable capital appreciation to its shareholders. But now, the number of small vertical-specific software companies is reducing. Hence, it is targeting bigger firms, bundling them into its subsidiaries and spinning them out as initial public offerings. Its first spin-off is **Topicus.com**.

Constellation has benefitted from cash flows accrued from acquired companies. Now, it functions more like an investment company and benefits from a stake in other public companies that are its subsidiaries. The stock is trading at an attractive price, as it fell almost 12% in the [tech selloff](#). The stock can give you a 20-40% return in a year for the next four to five years.

Magna stock

One stock that could give you long-term returns is Magna. This stock is well positioned to tap the future trends of electric and autonomous vehicles (EV/AV). Magna designs and builds components like body exteriors, power and vision, and seating systems. It also assembles complete vehicles for automakers and tech companies that have entered automotive. It is building capabilities to manufacture EVs and AVs.

This is a ripe time to buy Magna, as the stock has dipped 11.5% in the selloff. The auto industry is going through a semiconductor supply shortage that is keeping auto-related stocks under pressure. Before the supply shortage, Magna stock showed how the EV rally would look by surging to \$125. That is a 25% upside from the current price, and this is just the beginning.

Foolish takeaway

The above three stocks are trading at an attractive price, making them a buy for February. These stocks could boost your portfolio returns in the next two years and beyond. You might want to buy them through the Tax-Free Savings Account ([TFSA](#)) to keep your investment income tax-free.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:MG (Magna International Inc.)

5. TSX:TD (The Toronto-Dominion Bank)

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Author

pujatayal

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