2 Top Stock Picks for New Canadian Investors

Description

2022 has not been kind to new investors, and there are few, if any, reasons to believe that Mr. Market will start to be kinder to the many who opted to chase hot stocks in the back end of 2020 or 2021. Indeed, valuation matters. And if you can resist the urge to chase quick riches, you'll be in a spot to build real wealth over the long run. I'd imagine that many discouraged investors are feeling pretty bad about markets these days. A lot of hot stocks have turned in a hurry, and some are seeing 20-50% losses in their portfolios following the recent barrage of volatility.

Indeed, blue chips weren't even spared from this quarter's pain. Big-cap companies like **Shopify** have been trading like penny stocks these days. Although Shopify is arguably one of the most innovative companies in the world with one of the best stories and management teams, I'd argue that none of such matters if you can't get a price that's half decent.

Top picks for new investors? Keep it simple: Don't jump into the deep end if you're not yet comfortable

Indeed, it's a tough time to be an investor, especially given the trajectory of rates of late! Could rates surge and leave investors behind with shares that will never climb back to their highs? It's possible. Many bubbles have already burst. Others may still need to deflate further. That's why it's so hard to pick the falling knives here. Like during the dot-com bust, many investors got hurt by going against the grain when market momentum accelerated to the downside.

Personally, I think new investors should look to keep things boring! It's easier to make money in value stocks that shouldn't be dragged down but have been anyway.

Currently, **CN Rail** (TSX:CNR)(NYSE:CNI) and **Bank of Montreal** (TSX:BMO)(NYSE:BMO) are sleep-easy stocks that should be nibbled away at any dips now and in the near future.

CN Rail

CN Rail is a great company that seldom trades at a cheap multiple. At writing, shares of CNR go for 23.1 times trailing earnings alongside a bountiful 1.9% dividend yield. Off around 5% from its all-time high, CN Rail stock isn't a bargain by any stretch of the imagination, but it is a name that I believe is not getting the respect it deserves through this choppy macro environment. Indeed, 2021 was noisy, with the failed pursuit of KSU, activist investor involvement, and the uncertain future of its CEO.

With a new CEO at the helm and room to improve upon the operating ratio, I couldn't be more bullish on the firm. CN isn't cheap, but at the same time, it's not as expensive as it could be right here. With such a swollen dividend, I'd argue that the stock is a worthy buy for those seeking insulation from volatility.

Bank of Montreal

Bank of Montreal isn't just another Big Six bank stock. I believe it's best positioned of the batch to grow its earnings and dividend, as rates rise and the economy continues to thrive. Indeed, it seems as though the Fed or Bank of Canada will not raise rates if it means jeopardizing the economy.

If rates rise gradually and economic growth continues strong, I'd argue that BMO could have way more room to run. The stock remains cheap, despite its new acquisition of Bank of the West and its heavy corporate loan exposure, which could allow BMO to surge over the next five years, all while profitability prospects improve.

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3. TSX:BMO (Bank Of Montreal)
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