



## TSX Rallies 1.7% for its 2nd-Best Day in 2022

### Description

The **S&P/TSX Composite Index** finished last week with double-digit gains (344 points) to register its second-best day in 2022. Canada's main equities index had its most significant increase on January 31, 2022 (356.50 points). While the index remains in negative territory year-to-date (-0.55%), heavyweight sectors energy and financials showed their muscles.

Energy stocks surged despite the [retreat of oil prices](#) to pre-war levels. The strong quarterly results of **CIBC** and **National Bank of Canada** lifted the financial stocks. I'm sure many investors have rebalanced their portfolios before the Russia-Ukraine war erupted.

However, if you want stronger support for your [anchor stock](#), **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) and **Canadian Western Bank** ([TSX:CWB](#)) are excellent second-liners. Both stocks outperform the broader market and should hold steady as the year progresses.

### Remarkable turnaround

Baytex Energy has become more attractive, especially to growth investors. The stock advanced 14.2% to \$5.71 on February 25, 2022, after the company's full-year 2021 results showed a remarkable turnaround. In the year ended December 31, 2021, total sales (petroleum and natural gas) and free cash flow increased 91.5% and 2,231.30% versus full-year 2020.

The year's highlight was the net income of \$1.6 billion compared to the \$2.43 billion net loss in the prior year. Baytex President and CEO Ed LaFehr said, "I am very pleased to say we delivered on all fronts with strong operational execution, record free cash flow and a significantly improved balance sheet."

Because of the continued operating momentum and current commodity prices, Baytex expects to generate over \$550 million of free cash flow in 2022. According to LaFehr, the company is well-positioned to reach its initial \$1.2 billion net debt target during Q2 2022.

On year-end 2021, the estimated present value of Baytex's reserves (10% discount before tax) was \$5.1 billion, or 54.5% higher compared to year-end 2020. Management plans to allocate 25% of annual

free cash flow in 2022 to direct shareholder return and commence a share buyback program in the second quarter.

Baytex will use the leftover cash to reduce debt until it achieves the net debt target of \$800 million. Meanwhile, based on market analysts' forecasts, the price could climb 27% to \$7.25 in 12 months.

## Three-pronged expansion

CWB is a full-service financial institution that focuses on the unique financial needs of businesses and its owners. In Q1 fiscal 2022 (quarter ended January 31, 2022), top and bottom-lines grew 9% and 11% versus Q1 fiscal 2021. In addition, the \$3.39 billion regional bank saw its loan portfolio and branch-raised deposits grow 9% and 12% versus the same quarter last year.

CWB President and CEO Chris Fowler said the unwavering focus on business owners is a winning strategy. It helps drive or accelerate growth of its full-service clients.

At \$37.93 per share, the trailing one-year price return is 22.49%. Market analysts are bullish and forecast a price gain of 26.5% to \$48 in one year. The overall return to would-be investors should be higher if you include the 3.16% dividend. CWB announced a 3% dividend hike in December 2021.

## Dependable sectors

TSX's 1.7% rebound should prompt Canadians to [start investing](#) for income and capital growth. It also showed that the heavyweight sectors can overcome the headwinds.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)
2. TSX:CWB (Canadian Western Bank)

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**Date**

2025/08/26

**Date Created**

2022/02/28

**Author**

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