



2 Wonderful Canadian Stocks That Could Soar Over 25%

Description

There aren't too many wonderful Canadian stocks in buy territory out there, but you don't need that many to do well in markets over the long run. To paraphrase the great investor Warren Buffett, it only takes a few good ideas in the investment world to achieve solid results. Undoubtedly, Buffett isn't the biggest fan of diversification, nor are many other investment legends. Personally, I think diversification is critical for many beginner investors with fewer than five years of experience with securities selection. For more seasoned investors, though, I believe overdiversifying (or "diworsifying," as the great Peter Lynch put it) is a bigger problem.

Now, many Foolish readers have likely just dipped a toe into the financial markets over the past few years. Indeed, diversification can save you from sector-wide blow-ups like the one experienced in the tech sector over the past year and a half. Undoubtedly, chasing momentum can lead to significant losses over a near-term timespan. Beginners should not confuse trading with long-term investment. Indeed, many folks on TV are more inclined to encourage taking action on a day-to-day basis, rather than looking to stocks as pieces of businesses to own for years or even decades at a time!

Indeed, the best holding period is for life. Or as long as possible. And if there's market turbulence that drags down a wonderful stock, you should relish the chance to gain an even larger piece of a business you truly understand and love.

In this piece, we'll look at two truly magnificent Canadian stocks that I think could be in for a year-end surge of over 25%. Consider shares of **Alimentation Couche-Tard** ([TSX:ATD](#)) and **TD Bank** ([TSX:TD](#)) ([NYSE:TD](#)).

Couche-Tard

The convenience store giant just revealed its Q4 results, and they were truly incredible. Profit surged to US\$746.4 million, and CEO Brian Hannasch stated that the firm was better able to absorb the recent fuel price shock than back in 2008. Indeed, the markets loved what they heard and saw from Couche on what was a big bounce-back day that saw shares of ATD blast off over 6% in a single trading session. I think Couche-Tard is at the [cusp](#) of a huge rally that could see shares settle at a level well

above the \$60 mark.

Indeed, Couche-Tard's stock is moving based on actual earnings. Real profits and real growth are what you're getting from the firm. At 16.4 times trailing earnings, I consider Couche-Tard to be one of the best breakout plays for 2022 in a year that could see profitable growth companies be the new "sexy" plays.

TD Bank

TD Bank is an easy one to neglect. It's one of six big-league Canadian banks, and it's been dragging its feet of late, plunging into a correction alongside the broader markets. Indeed, having a big rally end in correction is not ideal. I think the 10% drop was nothing more than a buying opportunity for those looking to position themselves for the next big rally. Rates are going up. The Fed and Bank of Canada have already performed their first hikes for the year, with more on the way to curb inflation.

For TD and its peers, that means margin expansion is on the way. With the Fed also pointing at a [robust](#) economy, expect TD to continue its loan growth, all while margins creep higher. At just 12.6 times trailing earnings, TD stock looks absurdly undervalued.

CATEGORY

1. Investing

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2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/02

Date Created

2022/03/17

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