



2 Stocks That Could Outperform the Market Through the Rest of 2022

Description

Investors are searching for top stocks that could see strong revenue and earnings growth in the coming months.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) has trailed its peers in the oil [sector](#) rally that has occurred in the past year, but the stock might finally start catching up in the back half of 2022.

Suncor is generating strong margins at current oil prices. The extent of the profits should become evident when Suncor reports Q1 2022 earnings. Management used the 2021 profits windfall to reduce debt and buy back stock. Those moves, while unpopular with dividend investors who wanted quick payout hikes, should benefit shareholders in the long run. The board finally raised the payout near the end of the year with an increase of 100%. This brought the dividend back to the 2019 level. That still hasn't pleased the market since Suncor slashed the dividend by 55% in the early days of the pandemic, while its peers held their dividends steady and then raised the distributions considerably in 2021 and 2022.

As such, it wouldn't be a surprise to see Suncor hike the dividend again in the near term to try to win back market favour. A large dividend increase would likely put a new tailwind behind the stock.

Looking ahead, the ramp up of airline capacity and the return to offices in Q3 and Q4 will boost demand for jet fuel and gasoline. Holiday and business travel is expected to surge, and commuters who might normally take public transport are likely to use their cars due to ongoing COVID-19 fears.

This could set Suncor's downstream refining and retail operations up for strong results through the end of 2022 and into next year. Suncor's integrated business structure is one key reason the stock used to be the darling of the Canadian oil patch. A return to that status is possible over the medium term.

Suncor is working through some operational issues, but those will get sorted out. At the time of writing the stock provides a 4% dividend yield, so you get paid well to wait for things to improve and the share

price to move higher.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is a bit of a contrarian pick right now. Tech stocks are under pressure as interest rates rise and investors shift away from pandemic winners to economic rebound plays in the commodities sectors.

Shopify trades near \$750 per share at the time of writing. That's down from more than \$2,100 last November. The pullback could continue in the near term, but the selloff is starting to look overdone.

Shopify offers attractive services to small businesses who want to sell products online. Once a business signs up to use Shopify, it is unlikely they will switch to a competitor, and most subscribers use multiple Shopify products.

The transition to online shopping will continue, and Shopify is building important strategic partnerships that enable its customers to reach more markets around the globe. The company is large enough that it should be able to defend its turf. At the same time, the steep drop in the valuation over the past few months could attract a takeover bid.

Volatility should be expected, but buy-and-hold investors with a contrarian investing style might want to start nibbling on Shopify stock at this level. If momentum shifts back into tech stocks in the second half of 2022, Shopify could deliver market-beating returns.

The bottom line

Suncor and Shopify are leaders in their respective industries, look [undervalued](#), and could surprise to the upside before the end of the year. If you have some cash to put to work, these stocks deserve to be on your radar.

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2. NYSE:SU (Suncor Energy Inc.)
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