3 Top Value Stocks for 2022

Description

2022 has so far been a great year for value stocks. In the same year when tech stocks are collapsing, value sectors like energy and utilities are positively soaring. It's no accident that this is happening. The Bank of Canada is in the process of raising interest rates, and higher rates are bad for tech. They are actually pretty good for some value stocks, however. Banks make more money when interest rates rise, and other value sectors benefit from higher interest rates indirectly.

In this article, I will explore three value stocks that I personally would buy in 2022 — two of which I have actually bought.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a top Canadian utility company. It owns utilities across Canada, the U.S., and the Caribbean. It has a 48-year track record of dividend increases and sports a 3.37% dividend yield today. Fortis's most recent fiscal year was not bad. For 2021, the company delivered

- $1,231 in net income — up 1.8%;
- $3.6 billion in capital expenditures, including $600 million invested in clean energy infrastructure; and
- A 20% reduction in emissions.

Fortis is a regulated utility, which means that it enjoys a strong competitive position in its local service areas. The utilities space features high barriers to entry, which helps keep competition at bay. Additionally, utilities are essential services, which means that people keep paying for them even in recessions. So, they tend to enjoy very stable revenue over time.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is Canada's second-biggest bank by market cap, and the biggest by assets. It has a vast and growing U.S. retail business, which has helped it grow more than the average Canadian bank over the last decade. This year, TD is buying out **First Horizon**, a bank in the U.S. southeast. This acquisition will make TD the sixth-largest U.S. bank going by assets.

The First Horizon acquisition alone is reason enough to get excited about TD Bank. But there are others. Both the U.S. and Canada are in the process of hiking interest rates right now, and higher interest rates tend to be good for banks. When interest rates go up, banks earn higher net interest income.

Between the First Horizon deal and higher interest rates, there are many reasons to think that TD Bank will do well this year. Yet its stock is still very cheap. Trading at just 11.5 times earnings, TD is a true value play that could reward investors handsomely.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a Canadian energy stock that trades at just 15.4 times earnings and 1.7 times book value. It is not an expensive stock by any stretch of the imagination, yet its growth in the past year has been incredible. In the most recent quarter, adjusted funds flow was $3.144 billion (up 157%) and net income was $1.55 billion (up from a $168 million loss).

In the first quarter, earnings are likely to be even higher, as oil prices absolutely soared in Q1. When you buy a stock like Suncor, you are somewhat vulnerable to swings in the price of oil, but the upside is that your stock is likely to perform better if the price of oil increases. So, energy stocks like SU are solid value plays for those who can stomach volatility.

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