My 3 Favourite TSX Stocks Right Now

Description

Markets have been rough this year. Though some stocks touched record lows, some were resilient, despite broad market pressures. Here are my top three TSX stocks that have outperformed peers this year and in the long term as well.

Tourmaline Oil

The weakness in energy markets is unlikely to last long. The supply constraints should continue to push oil and gas prices higher in the second half of 2022. Though natural gas prices have dropped notably since last month, they are still 75% higher than last year. Canada's biggest natural gas producer **Tourmaline Oil** (TSX:TOU) could be one of the largest beneficiaries of the trend.

It has seen substantial earnings and free cash flow growth in the last few years. Its net margins have expanded from 27% in 2020 to 42% last year. Notably, its steep financial growth has allowed rewarding shareholders with multiple payout hikes and special dividends. Thus, it has returned 70% so far this year, notably beating TSX stocks at large.

Interestingly, natural gas prices were at record levels during Q2 2020. So, Tourmaline Oil will most likely see terrific free cash flow growth when it reports its Q2 earnings early next month. As a result, the stock will likely see an upward climb driven by strong earnings growth, potential dividend hikes, and further strengthening of the balance sheet.

Dollarama

While markets have been trading directionless amid recession fears, one TSX stock that has incessantly made new highs is **Dollarama** (TSX:DOL). TSX stocks have lost 12%, while DOL stock is sitting at a 25% gain for the year.

The discount retailer will likely see increased demand for its products amid soaring inflation. Thus, Dollarama will not feel the same pinch on its earnings as some bank or tech companies would feel amid the economic downturn.

As a result, DOL stock is perceived as a safe haven and is preferred during market uncertainties. In addition, the stock has less correlation with broad market indices, and thus, it outperforms in bearish markets.

Dollarama has a vast presence with its 1,431 stores in Canada, way higher than its peers. Its recent introduction of a $5 price point could alleviate margin pressures to some extent. Its unique value proposition, strong working capital cycle, and stable earnings growth prospects make it an attractive investment.

If the broader economy takes an ugly turn from here as feared, DOL stock will likely head higher. Investors will shift to less-volatile, safe-haven names like Dollarama to protect capital in volatile markets.

Constellation Software

Tech names are some of the laggards this year, losing around 40% so far. However, Canada's second-largest tech stock **Constellation Software** (TSX:CSU) has lost only 10% in the same period.

Constellation's unique business model, consistent profitability, and its fleet of vertical market software companies drove its recent strength. It has seen above-average earnings growth in the past and will likely continue to do so. Amid this year's market chaos due to runaway inflation and rising rates, high-growth tech stocks with towering valuations were badly burned.

However, CSU stock has been relatively resilient and is trading 75 times its earnings. CSU stock has proved its vigour in the past bear markets as well. So, the current valuation, even though it looks stretched compared to peers, is justified

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners
5. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vinitkularni20

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners
5. Tech Stocks

Date
2025/08/18
Date Created
2022/07/10
Author
vinitkularni20