



## These U.S. Stocks Are a No Brainer Addition to Your Portfolio

### Description

Several blue-chip stocks in the United States are available at a deep discount to investors in 2022. The first nine months of the year have been brutal for investors. What's more, the sell-off in equities might even accelerate in the near term.

But investing in companies south of the border provides Canadians an opportunity to buy the dip and gain exposure to the world's largest economy. Here, I have identified two fundamentally strong U.S. stocks that are a top buy in Q4 2022.

### An energy heavyweight

One of the largest energy companies in the world, **Chevron** ([NYSE:CVX](#)) is also an integral part of Warren Buffett's portfolio. Due to rising oil prices, Chevron stock is up over 42% in the last year. Despite its outsized gains, Chevron also offers investors a forward yield of 3.92%.

While the energy sector is cyclical, Chevron's dividend payments have risen to US\$1.42 per share in August from US\$0.29 per share in 1997. In the last 25 years, the Dividend Aristocrat has raised dividends by 6.6% annually.

In the first six months of 2022, Chevron's net earnings stood at US\$18 billion, rising 300% year over year. Comparatively, operating cash flow almost doubled to US\$21.8 billion. Chevron stock is down 20% from 52-week highs and is trading at an attractive multiple of 7.7 times forward earnings.

Chevron operates an integrated base of cash-generating assets allowing it to generate cash flows across business cycles. Its business model includes midstream assets such as pipelines, natural gas, and oil production, as well as refining, consisting of the entire value chain of the energy sector.

Chevron has a robust balance sheet with a debt-to-equity ratio of 0.17, which is the lowest among energy sector peers. So, the company can easily add debt to finance expansion plans and support its dividend payouts, which have increased for 35 consecutive years.

Analysts tracking Chevron have a 12-month average price target of \$182, which is 30% above its current trading price.

## A software heavyweight

The second U.S. stock on my list is **Microsoft** ([NASDAQ:MSFT](#)), which is one of the largest companies in the world. Valued at US\$1.8 trillion by [market cap](#), Microsoft stock has returned a staggering 856% to investors in dividend-adjusted gains since September 2012. But MSFT stock is also down 20% from all-time highs, increasing its forward yield to 1.14%.

Microsoft leads several verticals, such as productivity software and cloud computing, allowing it to increase operating income by 14% in Q4 and 21% to US\$83.4 billion in fiscal 2022 (ended in June).

Microsoft generated close to US\$90 billion in cash flow in the last fiscal year, providing the software behemoth with enough room to reinvest in growth and improve shareholder wealth via buybacks and dividends.

Despite a weak macro environment, Microsoft increased earnings by 3% year over year in Q4. Comparatively, analysts expect sales to rise by 11.3% to US\$221 billion in fiscal 2023 and by 13.9% to US\$251.4 billion in fiscal 2024.

Its adjusted earnings might widen to US\$11.94 per share in 2024, up from US\$9.21 per share in 2022. MSFT stock is valued at 23 times [forward earnings](#), which is not too steep for a growth stock.

It's also trading at a discount of more than 40%, given consensus price target estimates.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:MSFT (Microsoft Corporation)
2. NYSE:CVX (Chevron Corporation)

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## Date

2025/07/21

## Date Created

2022/10/10

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araghunath

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