Top TSX Stocks to Buy in a Bear Market

Description

Since late last year, stocks have notably disappointed investors. TSX stocks have lost 12% of their value in the last six months on the back combination of factors.

Rate-hike woes, supply chain issues due to the war in Europe, and uncertain global growth outlook have weighed on markets this year. However, everything is not gloom and doom. Some sectors and stocks have fared well this year and will likely continue to outperform.

Dollarama

Inflation does not spare anyone. It hampers consumers and dents corporate earnings growth. And the recent inflation surge has been adamant and is at a four-decade high. So, the impact on consumer spending and corporations is all the more painful.

Canada's discount retailer **Dollarama** (TSX:DOL) has been resilient amid these turbulent times. In the last three quarters, DOL, in fact, witnessed accelerated revenue growth and margin expansion, underlining its business strength.

Dollarama sells household, consumable, and merchandise products at its largest retail store chain across Canada. Its unique value proposition stands tall in inflationary times and its extensive presence offers convenience. As a result, DOL has stood tall this year and has outperformed broader markets by a wide margin.

Notably, not just in these bear markets, DOL stock has outperformed in the last bull cycle as well. Including dividends, it has returned nearly 700% in the last 10 years, despite being in a slow-growing, low-margin industry. So, Dollarama will likely keep trading strong, regardless of broader markets, due to its efficient supply chain, larger geographical footprint, and earnings visibility.

Canadian Utilities

Canadian Utilities (TSX:CU) offers stable dividends yielding 5%. Even though it lacks growth, CU stock has offered stability and steady passive income for decades. It has raised shareholder payouts for the last 50 consecutive years — the longest payout streak for any Canadian company.

Utilities like CU see predictable cash flows in almost all economic cycles because of its large, regulated operations. That facilitates consistent dividend growth, be it in a recession or an economic expansion.

Notably, utilities underperform amid rising interest rates. And that's why CU stock has lost 15% in the last three months. Even if the stock might not see a quick reversal soon, these levels look appealing to lock in a decent dividend yield.

Tourmaline Oil

While many sectors floundered this year, oil and gas names have remarkably flourished. To be precise, TSX stocks dropped 8%, while TSX energy stocks have gained 65% this year. And among them, Canada's biggest natural gas producer, **Tourmaline Oil** (TSX:TOU), stands notably taller, returning 125% so far.

Tourmaline Oil reported its third-quarter earnings last week. Not only were the numbers superior, the company also released upbeat guidance for 2023. It has been doing everything right in this energy rally that very few peers have managed.

Tourmaline has experienced massive free cash flow growth in the last few quarters, which it mainly used for deleveraging. As a result, its balance sheet has been substantially bolstered. It has also been aggressively paying special dividends since last year.

In 2022, Tourmaline paid total dividends of $7.9 per share, implying a yield of 10%. Importantly, it sees a strong price environment to continue next year, which will allow similar dividend distribution in 2023.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:DOL (Dollarama Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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