# These 2022 Outperformers Could Continue to Deliver in 2023

## Description

2022 was one of the worst years for the 60/40 portfolio in decades. Usually, when stocks sink, bond prices go higher, compressing yields. With central banks rate-hiking our way toward a recession, the stock and bond markets have fallen in sync. And it's wreaked havoc on the stock-and-bond portfolio. Indeed, the job market is still strong, and a recession hasn't even arrived yet. This has some fearful over what may be in store for 2023. Just because a recession is in the cards doesn't mean further stock losses are guaranteed. If anything, a milder drop or soft landing could bode very well for stock (and bond) returns next year.



A softer landing, with retreating inflation and the need for fewer rate hikes could be the perfect combination that kicks off the next bull market, possibly before a recession is even made official. Indeed, markets and their forward-looking nature can be weird, but as investors, we should do our best to roll with the punches, rather than seeking to react to every bit of exogenous market-moving news (like the consumer price index, or CPI, report or midterm elections in the states).

With a lighter CPI report in the U.S. fueling the market's latest rally, there's room for optimism. Stocks could go from being hated to loved by a vast majority of investors who are eager to get back into stock markets after the dust has had the chance to settle.

In this piece, we'll look at two steady performers that will probably move higher, regardless of how hard the landing into a recession will be.

## Alimentation Couche-Tard

**Alimentation Couche-Tard** (TSX:ATD) is a convenience retailer that's sitting at all-time highs of around $63 per share. Indeed, the stock didn't get the memo that we're in a bear market. With strong quarterly results and an enviable balance sheet (the company could have more than US$15 billion in acquisitive power going into the new year), Couche-Tard is in a bull market of its own making. And as the recession arrives, don't expect Couche to drop its market-beating ways anytime soon.

Boring is beautiful in this market. And it doesn't get more boring than physical retail. I think there's a good chance that Couche-Tard will make a splash in mergers and acquisitions next year after being quiet for yet another year. Indeed, market volatility and recession woes have brought forth better multiples and more opportunities for Couche to flex its strong balance sheet in the new year and beyond.

Even with no deal, higher rates make Couche's cash pile that much more valuable. At 17.49 times trailing price to earnings, Couche is cheap, with positive momentum that not even a recession could undo.

## Fairfax Financial Holdings

**Fairfax Financial Holdings** (TSX:FFH) is a bit of a strange, lowly correlated stock to own. It hasn't been a market crusher over the past five years, with just 7% in gains over the timespan. However, looking further back, it's impossible to overlook the performance during the 2008 Great Financial Crisis. Fairfax knows how to hedge, with a brilliant money manager in Prem Watsa running the firm.

With solid results and stronger underwriting capabilities, Fairfax is making a huge comeback. With shares up 109% off their 2020 lows. I think the undervalued insurer and financial holding firm is just getting started. It's making up for lost time, and 2023 could be yet another year that Watsa's behemoth shines bright. As valuations contract in a recession year, look for Fairfax to continue making major strides forward to create more value for its shareholders.



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