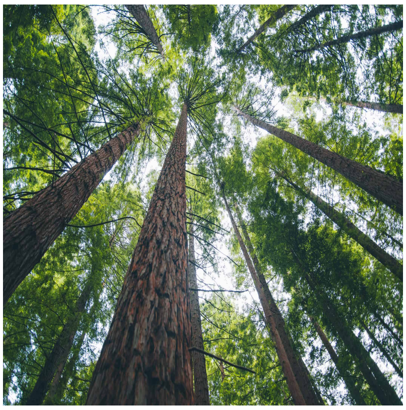

3 Canadian Giants That Could Outperform Markets in 2023

Description

Even though the recent inflation data brought some respite, markets do not seem out of the woods yet. The rate hike cycle could continue for a large part of 2023 as inflation is far higher than the central bank's target range. The corporate investment cycle and earnings growth will likely remain depressed in 2023. So, which stocks could outperform in such markets?

Let's see.

Tourmaline Oil

One sector that has been largely unscathed this year is energy. While some sectors are suffering from large drawdowns, energy stocks are comfortably topping the charts this year. One of them is Canada's biggest gas producer **Tourmaline Oil** (TSX:TOU).

Tourmaline and its investors experienced one of the best periods in 2022, with record profits and massive dividends.

Due to sky-high gas prices, the company reported remarkable free cash flow growth, which mainly went towards deleveraging. Additionally, Tourmaline used the abundant cash to shower shareholders with special dividends. To be precise, TOU has paid a dividend of $5.4 per share so far in 2022, almost a 300% increase from last year.

Tourmaline is well placed to reward shareholders next year as well. Its dividends this year indicate management's confidence in its future earnings potential. As per guidance, Tourmaline will report $3.7 billion in free cash flows next year, which will likely be allocated for debt repayments and shareholder returns. Higher gas prices and its strong operational execution will likely create significant shareholder value in 2023 as well.

Dollarama

Canadian value retailer **Dollarama** (TSX:DOL) has emerged as a solid inflation hedge this year. As inflation is expected to be the central theme next year as well, Dollorama stock will likely remain in the spotlight. DOL stock has returned 27%, while the **TSX Composite Index** has lost 9% so far in 2022.

Apart from offering value to customers, Dollarama is a compelling business for other reasons. Its extensive presence in Canada, efficient supply chain, and wide assortment of products support a continued growth story. As a result, Dollarama has seen industry-leading financial growth and operating margins in the last few years, even beating its US peers.

Dollarama is a relatively less volatile stock, which makes it even more appealing in uncertain markets. DOLL stock has outperformed in bullish markets in the last decade and is playing out well in bearish markets as well this year.

B2Gold

It could still be too soon to bet on gold stocks. But some of them have hit bottoms this year, and so a case for the next year can be explored. Canada's major gold miner **B2Gold** (TSX:BTO) has tumbled 30% since April, in line with its peers.

While gold and allied stocks play well in volatile markets, these defensives disappointed investors this year. This is because aggressive rate hikes drove Treasury yields and the US dollar higher, stealing the sheen off the yellow metal.

The $5 billion in market cap gold miner operates quality mines in West Africa. B2BGold has seen impressive production growth in the last decade, with relatively flattish all-in-sustaining costs. So, once gold prices recover, probably sometime next year, this miner's stock could skyrocket. BTO stock's relatively discounted valuation and superior dividend yield differentiate it from its peers.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BTO (B2Gold Corp.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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Date
2025/06/28
Date Created
2022/11/24
Author
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