Selling Losers Before 2023? Buy these TSX Winners With the Proceeds

Description

The New Year is just a few weeks away. Along with new resolutions, it is time to get rid of some bad financial decisions and start afresh. If your current investment is running into losses and offers dismal hopes of recovery, it makes sense to book those losses. This will be useful in tax-loss harvesting, and the proceeds could be better utilized on potential winners.

Market participants will not remember the year 2022 as one of the great ones. Macro challenges like record-high inflation and hasty interest rate hikes weighed on equity markets.

Weaker stocks to sell

One of the Canadian dividend giants, **Algonquin Power** (TSX:AQN), notably disappointed investors last month. The slow-moving, less-volatile AQN stock plunged 33% after it reported weaker Q3 2022 results last month.

Utilities are known for stable earnings and dividends, and that's why AQN's fall was quite a big deal. However, AQN investors now fear a potential dividend cut for 2023. AQN stock currently yields 8%, way higher than peer TSX utility stocks. However, note that the steep yield is only because of the stock drop and not due to any dividend hike.

It makes sense to book losses in AQN. Along with a potential dividend cut, the company could continue to see weaker earnings next year as well. Higher rates weighed on its bottom line in the recently reported quarter. As debt financing will turn more expensive in 2023, equity dilution will likely be the only option for AQN, making it an unattractive bet.

TSX stocks to buy ahead of 2023

If you are looking for a decent, less volatile, dividend-paying stock, there are some options in the utility space.

Consider **Canadian Utilities** (TSX:CU). CU stock yields a decent 5% and has the longest dividend growth streak in Canada. It earns stable cash flows, which enable stable shareholder dividends.

Canadian Utilities earns a majority of its earnings from regulated operations. As a result, even if the broader economy falls into a recession, it will continue to grow stably, leaving its dividends largely intact. Therefore, utility stocks like CU are perceived as defensives.

Note that AQN witnessed much faster growth in the last decade thanks to its large renewable operations. CU could fall short of growth expectations, but its slow-moving stock and stable dividends stand tall in uncertain markets.

Tourmaline Oil

While markets as a whole disappointed this year, oil and gas names saw record growth. One name that's consistently topped the charts in the last few years is **Tourmaline Oil** (TSX:TOU).

Tourmaline Oil is Canada's biggest natural gas producer. Higher gas prices, mainly due to Europe's energy crisis, significantly boosted its earnings this year. As a result, TOU stock has returned 115% this year, beating TSX energy stocks by a big margin.

Going into 2023, Tourmaline looks well placed because of its earnings growth prospects and dividends growth visibility.

Instead of sticking with the losers, it makes sense to bet on potential winners and avoid further losses.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:TOU (Tourmaline Oil Corp.)

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