My Take: 3 of the Best TSX Stocks to Own in 2023

Description

Here are my top three TSX stocks to bet on in the new year.

Canadian Natural Resources

Stocks might continue to perform weakly in 2023 amid higher inflation and rapidly rising rates. Higher costs create pressure on earnings, which weighs on stock performances. At the same time, energy producers play well in inflationary environments, as they have the pricing power. They can effectively pass a higher cost burden on to their customers.

As a result, energy bigwig **Canadian Natural Resources** (TSX:CNQ) seems an appealing bet for 2023. Its scale and higher expected earnings growth will likely create shareholder value. It has returned 50% this year, which is in line with its peer TSX stocks. Moreover, massive deleveraging and a strong price scenario will drive positive investor sentiment, as it did in 2022.

CNQ stock currently offers a juicy dividend yield of 4.5%. It has raised shareholder payouts for the last 23 consecutive years. As the company expects higher free cash flows in 2023, the management will assign a higher chunk of those to dividends. So, expect superior dividends and more value from CNQ going into 2023.

Dollarama

Canadian value retailer **Dollarama** (TSX:DOL) is one of the few all-weather stocks in Canadian markets. It has outperformed in this year's bear market as well as in the earlier bull markets. That's because Dollarama managed to keep its earnings growth intact in all kinds of economic cycles. Also, its strong execution has played well for margin stability over the years.

DOL stock has returned 28% this year, while TSX stocks at large have declined 8%. Some profit booking was seen at its all-time high levels, which brought the stock down around 7% last month. So, this could be the time to bet on this outperformer amid weakness.

Dollarama offers its customers value that stands particularly tall during inflationary times. Its large geographical footprint beat peer retailers by a big margin, which bodes well for its top-line growth. The company is aiming to increase its store count as its key growth strategy. Dollarama has vital advantages, like stable earnings growth and margin stability in almost all business cycles, which drives its outperformance.

Bank of Montreal

Canadian banks witnessed a downturn, as rates rose faster than expected last year. Bank stocks might not see an immediate recovery in 2023. However, if your investment horizon is longer, **Bank of Montreal** (TSX:BMO) looks like an attractive bet.

Its solid balance sheet and stable earnings growth will likely create decent shareholder value in the long term. Plus, Bank of Montreal has some of the longest dividend-payment streaks among the Big Six. It currently yields 4.7%, marginally higher than peer TSX banks.

BMO has the highest common equity tier-one ratio of 16.7% at the end of the fiscal third quarter of 2022. This is way higher than regulatory requirements and the industry average. The higher ratio indicates it will likely be well positioned to withstand an economic shock.

BMO stock has lost 10% this year. It could see some recovery later in 2023, as the rate-hike cycle pauses or reverses. Its strong dividend profile and earnings-growth prospects might help it outperform in the long term.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BMO (Bank Of Montreal)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise

8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vinitkularni20

Category

1. Investing
2. Stocks for Beginners

Date
2025/08/13
Date Created
2023/01/04
Author
vinitkularni20