



Magnificent TSX Stocks Defying the Market Pullback

Description

The market pullback of 2022 may or may not come to a conclusion anytime soon. Though recent action in January was encouraging, investors need to be prepared for whatever lies ahead as the recession finally does make an appearance. Undoubtedly, it's hard to imagine the markets moving sustainably higher when the recession hasn't even been declared yet!

Still, it's worth noting that such a recession is already partially baked in. Further, stocks may be looking ahead to 2024 and the next bull market. It's really hard to tell what's on Mr. Market's mind. Either way, Mr. Market tends to overreact (either to the upside or downside) when it comes to those FOMC (Federal Open Market Committee) meetings. Like it or not, the Fed can set the stage for what comes next. Though the Fed may have a more hawkish tilt, with expectations of a few more rate hikes, it's ultimately up to inflation's behaviour.

If inflation backs off, it's not even a guarantee we'll experience a modest recession this year. And if that's the case, there's reason to be optimistic about stocks and today's valuations, now that the speculative fever has cooled off in recent quarters!

When it comes to stocks that could continue marching higher, with or without help from the broader markets, I like **Alimentation Couche-Tard** ([TSX:ATD](#)) and **CP Rail** ([TSX:CP](#)).

These names didn't get the memo that the U.S. markets are in a [bear market](#). And going into 2023, I expect them to continue enjoying the bull markets of their own creation! These stocks have performed in spite of the headwinds ahead. As headwinds fade, I think both companies could continue to be huge winners.

Alimentation Couche-Tard

Couche-Tard is a convenience store giant that's up around 22% over the past year. Not only has the stock rallied in the face of a tech-led bear market, but it's also exhibited slightly less volatility than the broader market (0.98 beta). Going into 2023, I expect the correlation to the broader market could decrease further, as robust earnings continue to support ATD stock's share price.

At writing, shares trade at just under 17 times trailing price-to-earnings. Given the firm averaged more than 13% in net income growth over the past three years, I'd argue a much higher multiple is warranted. Considering the rotation toward value and Couche's strong balance sheet, the firm stands out as worthy of a premium versus historical average multiples.

In any case, I view ATD stock as a wonderful name to hold in a TFSA for all types of market environments. Recession, bear market, or bull market, Couche-Tard's path of least resistance seems to be up over the long haul.

CP Rail

CP Rail stock is up nearly 8% over the past year, even considering the year-end 9% correction.

I view the slight dip as a great opportunity to buy as the firm looks to integrate its latest addition in Kansas City Southern. Undoubtedly, CP has a much more extensive network post-acquisition. It's not just the new rail track that could help CP deliver for [investors](#) over the next five years out. The incredible management team led by CEO Keith Creel, I believe, will help CP continue outpacing other rail operators in the industry.

The only knock on the stock here is the valuation. At more than 33 times trailing price-to-earnings, CP stock seems more vulnerable to a pullback than its cheaper rail peers (most of which trade at well below 25 times trailing price-to-earnings). The premium on CP seems justifiable. However, value-conscious investors should put in the extra homework before considering the pricier, albeit incredibly well-managed rail before hitting the buy button.

In a prior piece, I noted CP stock is more of a name to watch than load up on at these levels.

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