A New Bull Market Is Coming: 3 TSX Stocks I'd Load Up on Before it Gets Here

Description

Economists generally believe that Canada and the U.S. will experience a recession this year. All this talk about a recession is sort of gloomy. Let's fast forward a bit. Stocks are long-term investments after all. Besides, the stock market leads the economic cycle. So, it's possible for stocks to rebound before the economy actually turns around. Investors should be confident that a new bull market will come — likely sooner than you think.

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When there's a hint of a new bull market coming, signaled by rallies in stocks, it would be the time to buy cyclical stocks. Here are three such TSX stocks to load up for this.

Magna International

The stock of global autoparts maker **Magna International** (TSX:MG) tends to do poorly in recessions. However, coming out of recessions, during economic expansions, it does extremely well. If investors can time their buys, they could bank on some exceptional gains.

For example, in the 2008/09 recession, the stock lost about half of its value from peak to trough. Then, from 2009 to 2014, it grew investors' money almost seven-fold and delivered explosive annualized returns of about 38% per year!

Again, in the pandemic recession, the stock fell about 50% from peak to trough. From the pandemic market crash bottom in March 2020, it has delivered annualized returns of over 37% per year.

If this year's anticipated recession brings Magna stock significantly lower, investors should consider taking a position and waiting a few years. The company has staying power with a strong balance sheet and a sustainable payout ratio. Its dividend is good for a yield of about 2.8% right now.

Canadian Western Bank

Banks are cyclical, too. They tend to do well when the economy does well. When the economic outlook is bright, consumers spend more and companies invest more. Companies would also be able to raise more capital in such an environment.

Canadian Western Bank (TSX:CWB) is a more cyclical stock than its bigger counterparts. After years of diversification efforts, it now has 31% of its loans in resource-rich Alberta. Its other two significant provinces are British Columbia (33% of loans) and Ontario (24%). A big portion of its loans are commercial loans, which are generally riskier than personal loans.

Specifically, at the end of 2022, its loan portfolio is diversified as follows: 35% in general commercial loans, 21% in commercial mortgages, 19% in personal loans and mortgages, 15% in equipment financing and leasing, and 9% in real estate project loans.

At $26.80 per share at writing, the Canadian bank stock trades at about 7.4 times earnings, which is one of the lowest multiples versus its peers. It also compensates shareholders with a decent dividend yield of approximately 4.6%. It has raised its dividend for about three decades!

Brookfield Corp.

Brookfield Corp. (TSX:BN) pays a tiny dividend yield versus the other two TSX stocks. However, it can still be a solid investment in a new bull market. The growth stock is also sensitive to the economic cycle. This is why it's a good idea to buy the stock after it has sold off in a downdraft.

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The company is well-capitalized and does an exceptional job owning and operating real assets. It has targeted and achieved long-term returns on investments of 12-15%. Its long-term capital is primarily invested across asset management, insurance solutions, and its operating businesses. Together, they generate growing cash flows.

Brookfield is a durable business that will steadily make investors wealthier. It also boosts investor confidence via a growing dividend.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:BN (Brookfield)
2. TSX:CWB (Canadian Western Bank)
3. TSX:MG (Magna International Inc.)

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