



Ready for a Bull Market? My 3 Top TSX Stocks to Buy Before it Gets Here

Description

Canadian markets have gotten off to a decent start and have gained 7% so far this year. While a slowing rate-hike cycle is positive for stocks, a quick recovery from a mild recession could fuel a stellar rally this year. Here are three of my top TSX stocks to buy for an impending bull market.

Bank of Montreal

Canada's third-largest, **Bank of Montreal** ([TSX:BMO](#)), is one of my top picks in the TSX banking space. It has lost 10% of its market value this year thanks to recession fears and higher provisioning.

However, this could change in 2023 with easing macroeconomic woes. Slowing inflation and rate hikes could bring respite for banks. They have been allocating higher provisions for the last few quarters due to imminent loan losses.

Bank of Montreal has a relatively stronger balance sheet compared to its peers. It is well capitalized to withstand an economic shock. Moreover, it has seen handsome earnings growth, particularly in the U.S. segment, in the last few quarters. Its U.S. segment will be a key growth driver for the long term.

BMO stock currently yields 4.2%, in line with its peers. It has consistently paid shareholder dividends for the last 194 years, indicating payout reliability and stability.

BMO looks well placed to outperform in 2023, driven by its undervalued stock, stable earnings growth prospects, and sound balance sheet.

Nuvei

Canadian fintech player **Nuvei** ([TSX:NVEI](#)) is another interesting pick for an expected bull market. After a massive drawdown last year, NVEI stock has gained 35% so far this year.

Nuvei is a payment processor that operates in more than 150 markets and supports over 200

currencies. It charges fees to merchants for completed transactions on its payment gateway. It also generates revenues from value-added services like analytics and insights to merchants.

Nuvei's scale and diversified revenue base will likely drive stable financial growth in the long term. The management sees its revenues growing at over 30% annually, with handsome margins exceeding 50%.

[Growth stocks](#) like NVEI move up fast in bull markets. If we indeed see relief on the rate-hike front, as many expect, NVEI will likely keep its current momentum and outperform.

Baytex Energy

[Oil and gas](#) remain some of the hot sectors in the broader markets. Canadian mid-cap name **Baytex Energy** ([TSX:BTE](#)) is an appealing bet for 2023.

BTE stock looks attractive mainly because of its discounted valuation. It is currently trading 2.5 times its 2023 cash flows. In comparison, peers are trading close to 3.5 times of their cash flows. BTE has returned 20% in the last 12 months, which is in line with peers.

Baytex has a unique asset base where almost one-third of its production comes from the U.S. Eagle Ford basin. Thus, it has exposure to high-priced markets and lowers its exposure to the Western Canadian Select.

It will allocate a higher portion of its free cash flows to shareholder returns after achieving much of its net debt target. Strong financial growth, improving balance sheet, and buybacks will likely create a sizeable shareholder value in 2023.

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2. TSX:BTE (Baytex Energy Corp.)
3. TSX:NVEI (Nuvei Corporation)

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