A New Bull Market Is Coming: 2 TSX Stocks I'd Load Up on Before it Gets Here

### Description

Like 2022, inflation and interest rate hikes will continue to dominate markets this year as well. Many fear that we might land up in a recession, driven by some of the rapid policy tightening cycles in decades.



But at the same time, the potential recession is expected to be a mild one. That's mainly because of the strong labour market and decent corporate earnings growth. Employers added jobs recently, marking a consistent comeback since the pandemic.

In case of S&P 500 earnings, analysts expect a subdued performance in the first half of 2023 but a comeback in the second half of 2023. According to Factset, overall earnings are expected to grow by 3% year over year in 2023.

We might see momentum continuing in markets this year. Here are two top TSX stocks to consider for the impending bull market.

## #1 TSX stock

My first pick is Canadian tech stock **Constellation Software** (TSX:CSU). Even when TSX tech stocks saw significant drawdowns last year, CSU stock stood strong and notably outperformed. TSX stocks, on average, lost 5% in the last 12 months, while CSU stock gained 15%.

It is Constellation's unique business model that separates it from its peers. It acquires smaller vertical market software companies that have a leadership position in their respective domains. As a holding company, Constellation caters to private as well as public clients in multiple sectors.

Many richly valued stocks saw huge drawdowns as interest rates rose last year. However, CSU was an exception. It was quite resilient in the last year's bear market, justifying its premium valuation.

Industry-leading profitability over the years has made CSU stock one of the darlings in Canadian markets. Its net income has grown by 15%, compounded annually in the last decade. Driven by expanding portfolio and earnings growth, CSU will likely keep creating a decent shareholder value in the long term.

## #2 TSX stock

Canada's leading natural gas producer stock **Tourmaline Oil** (TSX:TOU) is an interesting bet for 2023 and beyond. Gas prices have come down significantly this year, notably bringing lower TOU stock as well. But there are some factors that could limit TOU's downside.

First is Tourmaline's low-cost assets, which makes a portion of its production profitable, even at low gas prices. Moreover, it has a financial might, which will be used for share buybacks this year. Also, Tourmaline sells its gas to premium-priced markets like California, which ensures substantially higher realized prices compared to the Canadian benchmark.

Although natural gas prices have seen an epic descent of late, they could see a handsome recovery later this year. So, Tourmaline's strong financial growth amid a sound balance sheet will likely play well.

It paid $8 per share in dividends last year, including specials. While it may not delight shareholders on the special dividend front like it did last year, investors can expect decent total returns in 2023.

Tourmaline Oil stock has dropped 30% since October 2022 and is currently trading at its 10-month low. On the valuation front, it is trading six times its earnings and looks undervalued.



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2. TSX:TOU (Tourmaline Oil Corp.)

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