As the TSX Continues to Struggle, Consider These 2 Stocks for Stability

Description

So far this year, the TSX has been very up and down with a loss of over 1% year to date (YTD). By comparison, the Dow Jones Industrial Average is up over 8%. Over the past 12 months, the story has been much the same with the Dow Jones yielding returns of over 17% compared to only 5% for the TSX. This may suggest that the TSX has more room for upside and that the Dow Jones is a bit expensive from a value investor's point of view.

Long term, as the economy picks up in Canada, there may very well be plenty of opportunities for growth, but right now they can be hard to find. One thing an investor can do while waiting on the sidelines is to find stocks that are not volatile and present steady dividends in the time being. Beta is a measure of how closely a stock follows the market movements and of its overall volatility. A beta of one would indicate the stock follows the swings of the market perfectly. A beta of less than one would indicate it is less volatile, and conversely, a beta of more than one suggests the stock's swings are wilder than the market.

It is important to note that beta is only a measure of risk. Although high risk suggests higher possible returns, that is not always the case. **BCE Inc.** (TSX:BCE)(NYSE:BCE) is one attractive option that has averaged a beta of about 0.2. YTD. BCE only has a loss of 0.36% in its stock price. In the past 12 months, the TSX has had returns of over 5%, while BCE has dropped by over 6%. When looking at five years, the TSX's returns of 29% are less than BCE's 36%.

Beta is a moving average, and it is also only one consideration when selecting a stock to invest in. Valuation is important as well, and with BCE's price-to-earnings ratio of 17 and a price-to-book ratio of about 2.7, the stock is not expensive. One additional attractive feature of the stock is the company's dividend ratio, which is a shade under 5%. BCE also has a history of increasing dividends as well; this year's payout is more than 5% higher than last year's.

Another low-beta stock that is not as well known is **New Flyer Industries Inc.** (TSX:NFI). Its beta is slightly higher around 0.25, but it's still fairly low. YTD, the share has vastly outperformed the TSX with a return of over 34%. Over the past 12 months, it has also performed better with returns over 42%.

New Flyer is a bus manufacturer with operations in Canada and the United States. Although the company is not an exciting tech company with significant hype, its stock has performed exceptionally well. With no danger of bus transportation going away, there is lots of stability and potential for further growth.

The company’s sales grew by 43% in the past fiscal year, and net income also saw a jump of 124%. At 2.37%, New Flyer does not offer as attractive a dividend as BCE, but its potential for capital appreciation makes up for that. At a valuation standpoint, its price-to-earnings ratio is comparable to BCE at under 18, but its price-to-book value is a little high at four. But the growth the company has shown so far combined with its stable future make the stock an excellent opportunity for a low-risk investment.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:NFI (NFI Group)

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djagielski