Why These Dividend Stocks Are Among the Best to Buy in 2019

Description

Banks and telecom utilities have nothing in common. But when it comes to income investing, they share one common trait that attracts millions of investors to them: they both pay a growing stream of income.

This attraction makes them some of the best dividend stocks to buy in Canada, especially when the future is uncertain and there are many risks to the global and North American economy. Here are my two favourite picks for 2019 from these two areas of the market.

Toronto-Dominion Bank

Banks generally underperform when growth is slowing and a lot of analysts see a recession just round the corner. That's the main reason that the KBW Nasdaq Global Bank Index is down more than 13% during the past six months, dragged down by escalating trade war between the U.S. and China and over concerns that the global growth will be hit as a result.

But when it comes to Canadian banks, the equation isn't as simple. Canada's top lenders generally outperform their global peers during the times of distress. If you are keen to add a solid dividend stock in your income portfolio, then **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is a much better bet than many American banks.

The lender has a long history of weathering economic downturns and continuing to pay a growing dividend to shareholders. The lender operates in one of the best regulatory environments in the world, where lenders are heavily regulated to avoid the situation that we saw during the 2008 Financial Crisis in the U.S.

In the most recent quarter, TD Bank saw gains in all of its three main business lines and the wholesale business. The Canadian division, which includes wealth management, posted profit of $1.74 billion, accounting for nearly 60% of total earnings.

Trading at $69.30, TD Bank stock pays $2.68 a share dividend annually. The bank is forecast to grow its payout between 7% and 10% each year going forward — impressive growth to bank on if the current market downturn persists.

BCE Inc.

Just like banks, telecom operators are also among the best dividend stocks to buy if your investing style is to buy and hold. In Canada, **BCE** (TSX:BCE)(NYSE:BCE), the largest telecom operator, is looking attractive after a pullback of the past one year.

One major drag that kept BCE shares under pressure was climbing bond yields last year, but that threat is weakening after the Bank of Canada signaled that it might not raise interest rates this year as the economy shows signs of a slowdown.

Irrespective of the interest rate direction, BCE is a solid dividend payer which has been rewarding faithful investors with regular payout hikes.

The company's growth projects include investments to improve its infrastructure and deploying the next generation of wireless technology, known as 5G. These initiatives are likely to fuel further growth in its dividend and position the company to ward off competition.

Trading at $55.76, BCE stock has had a good rally during the past six months, gaining over 9%. But I believe this stock has a more upside potential, especially at a time when demand for defensive stocks is rising in a risky market.

BCE, yielding 5.47%, pays $3.02 a share in annual dividend, which is expected to grow about 5% yearly.

Bottom line

There are many dividend stocks you can consider for your income portfolio, but when water gets choppy, it's better to stick with the best names. Both TD and BCE fits well in this strategy.

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hanwar