



Round Up: The 3 Best Dividend Stocks to Own Before 2020

Description

As the Canadian economy continues to go through this period of volatility, dividend stocks have proven more important than ever. Canada's economic future remains unclear, whether there will be growth at all, whether trade issues between China and the United States will slow the Canadian economy, and how a low Canadian dollar will affect each industry. By 2020, the Canadian economy could look very different.

A great way to give yourself a break from all of this worry is by investing in dividend stocks. That way, no matter what happens, you'll see cash coming in at least every quarter no matter how stocks are doing. Buying up stocks that have solid long-term growth is also a great option right now, as there are many stocks out there that continue to trade below fair value, making them a great investment.

So here are three options I would consider buying before 2020. A recession may be on the rise again by that time, making now a great time to buy up these undervalued stocks.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) remains Canada's largest oil and gas producer, and currently trades at 11 times forward price to earnings (P/E), and a solid 4.78% dividend yield as of writing. That dividend has a history of two decades of dividend increases. In the last five years, that dividend has increased 67% for an average of 13% per year.

Even better, the stock is trading well below its fair value of \$45 per share, giving it an upside potential of 45% as of writing. The company also has manageable debt of 2.3 times EBITDA, chipping away at that debt year after year, with a number of strong quarterly results even through this period of volatility. It should get a lot easier to pay down debts, especially after its recent acquisition of Devon Energy.

Fortis

Currently trading at fair value, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is another great option. The utilities

company already stretches across North America, but has also recently stretched into China by supplying natural gas for at least the next two years. It's also been making strong acquisitions to take more of a dominant position in the U.S.

Fortis provides investors with stability, with [strong, steady growth](#) over the last two decades. The stock also offers a 3.33% dividend yield, which has increased 40% in the last five years for an average of 8% per year. While the stock is fairly valued at the moment, analysts predict the stock could hit \$60 in the next 12 months for a potential upside of 11% as of writing. While that's not incredibly exciting, it's stable. Something you'll want in a poor economic environment.

Great-West Life

Finally, we have **Great-West Lifeco** ([TSX:GWO](#)), a company that has consistently earned above-average returns within the industry. The stock has a 14% return on equity, 10 times forward P/E, and a 5.5% dividend yield as of writing. That dividend yield has increased 34% in the last five years, for an average of about 6% per year. The stock is trading below fair value, but not by much at \$27.60 per share with fair value at \$32 per share for a potential upside of 16% as of writing.

Great-West is now in the process of amalgamating three insurance brands into the Canada Life banner, which should definitely help the stock increase in the future with more insurance companies providing more support for the company. Though Great-West remains strong, generating a 4% increase in sales for the second quarter compared to the same time in 2018, though driven mainly through [higher sales in Europe](#).

Foolish takeaway

All three stocks offer investors a great way to buy up strong, stable companies on the cheap ahead of a recession. If we manage to skip out on a recession, then you've still bought these stocks on the cheap, and in the meantime have three solid dividend players that will continue adding to your portfolio.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:FTS (Fortis Inc.)
5. TSX:GWO (Great-West Lifeco Inc.)

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Author

alegatewolfe

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