2020 Market Crash: A Top Essential Services Stock for TFSA Income Investors

Description

The market crash of 2020 caught everyone by surprise.

Pundits anticipated an end to the bull market that occurred after the Great Recession, but nobody thought the end of that historic run would come as a result of a global pandemic.

The market correction is one for the record books. The **TSX Index** dropped more than 35% in less than a month. At the time of writing, the Canadian market is off the crash lows, but daily volatility in the index remains significant. The bottom could be behind us, or we might see another plunge in the coming weeks, as coronavirus cases in the United States and Canada increase.

Investors are unsure how long the lockdowns across the country will last, and companies are reducing staff. In fact, one million Canadians already applied for unemployment insurance.

Upside

The Canadian government just pledged to cover 75% of wages for impacted workers. This should put a floor under job cuts and help people make mortgage and rent payments. Aid for small businesses is also on the way through tax deferrals and emergency loans.

In addition, the government announced plans to buy $150 billion in mortgages from the Canadian banks. The move helps the banks keep lending through the challenging times. The Bank of Canada's series of rate cuts adds more support. Once we get through the turmoil, there could be a strong surge in economic growth.

In the meantime, investors are searching for top-quality stocks to add to their TFSA portfolios. The sell-off produced deals that some call opportunities of a lifetime. A strong rebound reduced the discount in many oversold stocks, but deals remain across TSX Index.

Which stocks should you buy?

Uncertainty remains, so it would make sense to allocate new cash towards companies that provide essential services. Let's take a look at one top Canadian dividend stock that might be an interesting pick right now.

Telus

Telus (TSX:T)(NYSE:TU) is a leader in the Canadian communications industry with world-class wireless and wireline assets providing mobile, internet, and TV services to retail and commercial clients across the country.

Telus avoided the temptation in recent years to spend billions of dollars on media assets. Today, that appears to be a wise decision. Professional sports are shut down due to COVID-19, and content providers such as TV networks and radio stations are fighting a constant battle with the internet to attract advertisers.

Instead, Telus created its Telus Health division. The group is Canada's leading provider of digital health solutions to doctors, hospitals, and insurance companies. The coronavirus will put its digital capabilities in the spotlight and could trigger huge growth in the sector once the crisis passes.

Mobile services and internet access are essential services. Today, families likely consider TV subscriptions essential as well, with millions of Canadians working from home and looking after their kids at the same time. Broadband demand is soaring, and that bodes well for Telus.

The company pays a reliable dividend that currently offers a 5.5% yield. Telus now trades at $21 per share, after the recent stock split. That's up from the post-split low of $18.50 but well off the adjusted high above $27 reached in February before the crash.

The bottom line

Telus appears oversold, and investors who buy now get paid well to wait for a rebound. If you are searching for an essential services stock to add to a TFSA portfolio, Telus deserves to be on your radar.

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