



Buy TSX Stocks Like BCE (TSX:BCE), but Avoid This Major Mistake

Description

Canadian investors who have been actively buying or looking for top **TSX** stocks these last few weeks are taking full advantage of the opportunity at hand.

Many top companies that can make up your portfolio have fallen to levels not seen in years.

This allows investors to buy some of the best stocks on the TSX at valuations that are extremely rare.

A company like **BCE** ([TSX:BCE](#)) ([NYSE:BCE](#)) is a perfect example. Although BCE is not immune to these short-term headwinds, at this point, almost every stock is going to be affected in some way.

The short-term impacts shouldn't be a consideration for investors anymore, unless the company is vulnerable because of its debt load. And if that's the case, then it's likely that the company is not worth an investment.

Besides that, these short-term issues shouldn't matter. At least not for long-term investors who are using this discount to buy core TSX stocks like BCE for their portfolios.

Why BCE is a top long-term TSX stock

A lot of what makes a company attractive are the economics of its business. This usually has to do with the industry or sector the company operates in.

Industries that are a staple in the economy, that sell goods or services that aren't discretionary, are almost always the best industries to be invested in.

That's the state of the telecom industry today. Although many Canadians across the country are temporarily out of work, having access to communication is extremely important.

Canadians making communication a priority would occur in a typical recession situation. However, especially as we are all in lockdown, having high-quality internet to be able to communicate with family

and friends is a must.

Looking forward, as things recover, BCE will continue to be a top TSX stock to buy. The company is the biggest telecom in Canada. It's also extremely reliable and has the fastest mobile network in Canada.

Plus, the significant infrastructure investments it's been undertaking have strengthened its network even further.

This allows BCE to offer high-quality fibre-to-the-home services. Also, with the introduction of 5G, BCE has already laid a tonne of fibre, which will be crucial for the new ultra-fast network.

BCE is also a top Dividend Aristocrat that has increased its dividend by roughly 30% over the last five years. The dividend yields more than 5.6% today — a significant return for such a [reliable company](#).

Investors who are buying top TSX stocks like BCE for their portfolios won't regret it. The company has the ability to provide major rewards for years to come. However, despite making strong investment choices, like buying BCE, investors need to also be cognizant they aren't making the following major mistake.

One major mistake to avoid

Although buying top TSX stocks like BCE is essential, you'll still want to keep a cash position.

There's no guarantee that markets will move higher from here. This is crucial to remember, especially when you consider that we aren't even at the peak of this crisis economically. Businesses remain closed, and there is no timetable for when economies will reopen. Because of this uncertainty, it's paramount investors continue to hold some cash.

For example, you'll still want to buy top TSX stocks with significant discounts that are already highly attractive. For other top stocks, though, if the discount isn't attractive enough for the heightened risk that investors have to take on today, that cash may be better left on the sidelines.

This way, if markets continue to decline from these levels, which is a strong possibility, then you'll have adequate cash levels to take advantage of those opportunities.

There was no better example of this than just a few weeks ago, when many investors were fully invested. Having no cash left, those investors were unprepared for what came next, and that made it difficult to take advantage and buy these top TSX stocks as they were sold off.

Bottom line

It's crucial investors use this opportunity to buy top TSX stocks and take advantage of the attractive valuations. However, don't go overboard and invest all your money; there is no telling how long this will last.

CATEGORY

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2. TSX:BCE (BCE Inc.)

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Date

2025/08/23

Date Created

2020/04/06

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