Canadians: TSX Dividend Stocks to Buy Amid the Market Crash

Description

Investing in safe, non-cyclical dividend stocks would be more sensible at the moment given the looming recession fears. Even the best-case scenarios of the pandemic are painting a gloomier picture of the economy for the next few months.

Thus, even if the **S&P/TSX Composite Index** rallied 25% in the last two weeks, it should not be perceived as the start of the bullish movement.

Investors generally consider utilities as safe due to their non-cyclical nature, as utilities have little or no impact of economic cycles on their earnings. That's why their dividend payments and many times stock prices as well remain less affected in economic downturns.

The earnings of energy companies, on the other hand, are highly correlated with economic cycles and their stocks turn volatile when the economic uncertainty increases. Let's take a look at such safe dividend-paying utility stocks.

Hydro One

A $16 billion **Hydro One** (TSX:H) is an electricity transmission and distribution company. The stock offers an above-average dividend yield of approximately 4% at the moment. What makes Hydro One an apt dividend stock is its fair yield and visible dividend growth for the future.

A major chunk of Hydro One's earnings comes from pure-play regulated operations. It facilitates stable earnings and thus stable dividends.

Hydro One operates through a combination of transmission and distribution infrastructure and has no exposure to power generation, thus avoiding a large capital outlay and prevents from volatile commodity prices.

Utilities' regulated operations offer visible earnings growth even for the long term. Hydro One aims to grow its earnings per share by 4%-7% per year through 2022. It plans to increase dividends by 5% per year for the next few years.

Hydro One's visible earnings and dividend growth and a solid business model add up to a safe investment proposition for long-term investors.

Safe dividend stock: TransAlta Renewables

TransAlta Renewables (TSX:RNW) is a $4 billion renewable power generation company and the biggest wind power generator in Canada. It has a presence in Canada, the U.S., and Australia with a diversified asset base both geographically as well as technologically, which bodes well for earnings stability.

TransAlta stock is currently trading at a dividend yield of 6.4%, higher than the **TSX** stocks at large. It has increased dividends by 6% compounded annually in the last five years. Thus, a fair yield and dividend growth make it an attractive dividend stock for long-term investors.

TransAlta stock is almost 20% lower against its 52-week high of $18 earlier this year. It has huge growth potential for the future as businesses turn away from fossil fuels and switch to clean energy alternatives.

TransAlta expects renewables will become more cost-effective driven by technological improvements in the next few years which will drive the future growth of the company.

The company sees inorganic growth options as well given the low cost of capital and its strong balance sheet. The company is fundamentally sound given its low leverage and solid operating cash flows.

CATEGORY

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2. TSX:RNW (TransAlta Renewables)

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