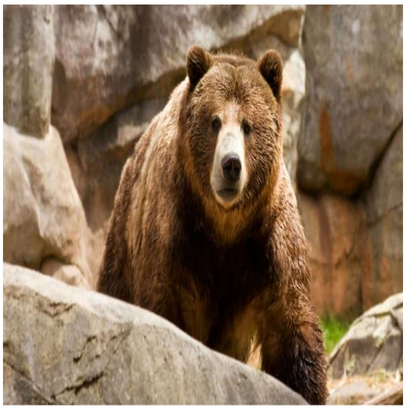

TFSA Investors: 2 Canadian Blue-Chip Stocks for Bear Markets

Description

While many investors are getting defensive as recession fears are increasing, some are betting big on sooner-than-expected recovery by buying growth stocks. At the same time, some investors are investing in low-risk stocks that offer huge growth potential over the long term.

For long-term investing, Canadians have one of the best tax-saving investment options in the form of Tax-Free Savings Accounts (TFSAs).

With a TFSA, dividends and capital gains are tax-exempt throughout the investment period and even at withdrawal.

Here, I will discuss two Canadian heavyweights that offer consistent dividends and solid growth potential for the future. Thus, TFSA would be more suitable for such stocks with high total return potential.

Solid total return play for TFSA investors

Canadian National Railway (TSX:CNR)(NYSE:CNI) stock is currently trading 17% lower to its 52-week high. The global supply chain has come to a standstill amid the lockdowns, which will hamper CN Railways' earnings in the next few quarters. However, its size and scale along with unmatched assets will help it traverse through these harsh times.

Its 20,000-mile network connects three coasts: the Atlantic, the Pacific, and the Gulf of Mexico. This forms the backbone for the North American economy, which is the most important competitive advantage for the company.

It will be clear how coronavirus has dented CN Rail's bottom line when CN releases its quarterly results later this month. However, lower earnings in a couple of quarters should not matter much to long-term investors.

The recent surge has made CN Rail stock a tad expensive. However, it's trading at 19 times its estimated earnings, which seems fairly valued compared to the historical average.

Canadian National Railway is a fundamentally strong company. The stock will again start its upward march once the pandemic is over and the economy starts recovering.

Canadian Utilities

TFSA investors can consider adding **Canadian Utilities** (TSX:CU) stock to their portfolios. It is a classic combination of low-risk and fair growth prospects. Consumers keep on using electricity and gas irrespective of economic conditions, which makes utility stocks a lasting defensive play. Utility stocks are generally less volatile, which makes them apt in the current market scenario.

Canadian Utilities is currently trading at a dividend yield of 5%, which is notably higher than that of peer stocks. It has increased dividends for 48 consecutive years and has the longest dividend-paying streak in Canada. The long payment history indicates stability and reliability.

Such a long dividend history is not unusual for utility companies. Their stable operations facilitate stable earnings, ultimately enabling stable dividends. Thus, utility companies such as Canadian Utilities could keep on paying consistent dividends more such decades to come.

Notably, CU's payout ratio comes close to 60%, which implies that its dividends are safe and the cut is unlikely.

Canadian Utilities stock seems superior compared to its large-sized peer **Fortis** at the moment. CU yields higher compared to Fortis's 3.5%. Also, in terms of valuation, Canadian Utilities stock looks fairly valued against Fortis.

Thus, CU stock would be appropriate for TFSA investors given its robust dividend profile and reasonable stock appreciation potential.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:CU (Canadian Utilities Limited)

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