



Investing \$1,000 in These 3 Top TSX Stocks Would Be a Brilliant Move

Description

Since the low of the market crash in March, the **TSX index** has come roaring back, rising roughly 37%! Yet the volatility in the stock market is far from over. In fact, it'll take time for the market to digest the real impacts of COVID-19, including higher unemployment and lower GDP.

If you have some extra cash, perhaps \$1,000 lying around, it could be [a brilliant move](#) for years to come to [invest in these](#) three top TSX stocks.

Top TSX stock: TD stock

The last time one of Canada's top banks, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stock, offered a dividend yield of more than 5% was during the last financial crisis. This was more than 10 years ago.

Therefore, now is a once-in-a-decade opportunity to buy quality bank stocks like TD Bank stock. The negative economic outlook is what caused a selloff in the banks.

TD Bank's last reported quarter gave a glimpse of the COVID-19 impacts. The bank's revenue rose 3% year over year. However, its adjusted net income declined by 51% to \$1,599 million due to higher provision for credit losses, as the bank prudently set aside more money to cover the rise of bad loans from COVID-19 impacts.

Despite a gloomy economy, the bank remained profitable. Based on its normalized earnings power, TD stock trades at a discount of more than 20%. If you have a long-term investment horizon of at least three to five years, TD Bank stock is a top TSX stock to buy through 2020.

A defensive dividend stock with a 4% yield

Renewable power stocks have been relatively resilient in the market selloff in March. Particularly, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) has been an outperformer in the space.

It rallied more than 31% since March and securely trades above its rising 50-day simple moving average, which is a positive sign.

The leading renewable power company has a diversified portfolio of assets, including roughly 19,300 MW of capacity and 5,288 generating facilities across North America, South America, Europe, and Asia. It has hydro, wind, and solar facilities.

Currently, BEP offers a safe yield of about 4%. It's a defensive stock to keep watch and to buy on dips, especially if we experience another market selloff. It would be a more attractive buy on meaningful dips of 10-30%. This equates to a buy range of roughly \$46-\$59 per share.

A top TSX growth stock

Generally, technology stocks have been very defensive. Particularly, **Constellation Software** ([TSX:CSU](#)) stock has had strong price momentum. In fact, the stock remains in a long-term upward trend since 2006. In the last 12 months, it appreciated 21%.

Constellation Software has been using an M&A strategy with great success. Since 2010, its return on invested capital (ROIC) has been in the double digits. Its five-year ROIC is 29%, while its five-year return on assets and return on equity are 11% and 52%, respectively.

This implies that management has great capital allocation skills, generating excellent long-term returns for its shareholders.

The tech firm selectively acquires companies with software solutions that solve critical customer problems in a specific industry. Then it'd continue to acquire around those companies to solidify its position in that area.

The growth stock appears to be fully valued here. However, if you have a long-term investment horizon, it may make sense to start a small position and build your position over time. The tech stock would be more attractive on meaningful dips of 10-30%. This would be a target buy range of about \$1,037-\$1,334 per share.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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5. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:TD (The Toronto-Dominion Bank)

3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CSU (Constellation Software Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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