



Income Investors: Should You Buy Telus (TSX:T) Stock Now?

Description

Retirees and other income investors face a difficult task when it comes to boosting returns on savings.

Why?

The surge in bond prices and a plunge in interest rates this year make it difficult to get decent earnings on cash. In fact, the situation went from bad in 2019 to horrible in the first half of 2020.

A five-year GIC from the big banks was as high as 3.5% in late 2018. Today, it is tough to find anything above 2%. As a result, people are turning to riskier alternatives to get better returns.

Dividend stocks to the rescue

[Dividend stocks](#) might be the best way to go right now. The pullback in the equity markets has many top-quality stocks trading at cheap prices. The era of low interest rates is expected to continue for the next few years. That should provide added support for sectors that are often rate-sensitive, such as utilities and telecoms.

The market crash in March reminded us that stock prices can be volatile. More turbulence is likely on the way as the world confronts a potential second wave of the coronavirus.

The shape of the economic recovery remains uncertain. A V-bound might still occur, but a U-shaped recovery appears more likely. Some analysts see a W-shaped course panning out, while more pessimistic pundits suggest we might be in for the dreaded L-shaped scenario.

With all the unknowns, it makes sense to search for companies that provide essential services and have strong balance sheets. A long track record of providing steady dividend growth is key. Low betas are also attractive right now.

Let's take a look at one top Canadian stocks that offer a great [yield](#) and appears oversold.

Telus

Telus ([TSX:T](#)) ([NYSE:TU](#)) is one of Canada's top providers of mobile, internet, and TV services. The company works hard to ensure its customers get reliable service and the effort normally shows up in the loyalty stats. Telus regularly reports the industry's lowest postpaid mobile churn rate.

The company doesn't own media assets. Rather, the company invested heavily in its Telus Health unit. The business was already Canada's leading provider of digital health services before the pandemic. Over the past few months, the group's products and services have helped health professionals connect digitally with clients and service partners.

Telus Health could see the strong uptake extend well beyond the outbreak. The pandemic likely fast-tracked the adoption of digital health services by several years.

Telus normally hikes the dividend twice per year. Investors might see one increase before the end of 2020 if the economy bounces back in the coming months. The existing payout provides a yield of 5.2%.

Telus trades close to \$22.50. It briefly dipped below \$20 in March and traded above \$27 in February.

Should you buy Telus now?

It would be great to get a chance to buy Telus at \$20 again. However, the stock appears oversold right now and offers a fantastic yield.

Telus is an attractive low-beta pick in the current environment and pays a solid distribution for a buy-and-hold income portfolio. I would be comfortable buying at this price and would look to add to the position on additional downside.

CATEGORY

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