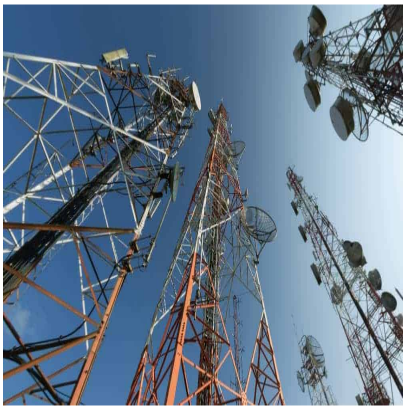

Should You Buy Telus (TSX:T) or TD (TSX:TD) Stock Today?

Description

Dividend investors can get close to 5% yields from **Telus** (TSX:T)(NYSE:TU) and **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) right now.

Let's take a look at two of Canada's top dividend stocks to see if one deserves to be on your buy list today.

Telus

Telus is a leading player in the Canadian communications sector. With a current market capitalization of roughly $31 billion, it holds the number two spot based on that metric. Industry giant **BCE** ranks number one at $51 billion, and **Rogers** comes in at number three with a market capitalization around $28 billion.

Telus is different from the other two in that it doesn't have a media division. Rogers and BCE are partners in the company that owns the Maple Leafs, Raptors, Argos, and Toronto FC. The Blue Jays are owned 100% by Rogers. BCE and Rogers also own radio stations and television assets.

Analysts have different views on whether or not the lack of a media business hurts Telus. Falling ad revenues is an ongoing challenge for the media companies. This year, the pandemic hit media businesses particularly hard.

For the moment, the decision to stay out of the media space appears to be a smart one.

Telus instead opted to put investment capital into its Telus Health initiative in recent years. The division is Canada's leading supplier of digital services to the healthcare industry. Doctors, hospitals, and insurance companies use the products to improve efficiency. Telus Health became much better known in recent months, as healthcare professionals across a wide swath of segments used the digital solutions to connect with patients via the company's health platforms.

Telus, nonetheless, saw phone sales and new service subscriptions slip in the second quarter. The reopening of the economy should deliver better results in the back half of the year and into 2021.

Telus normally raises its dividend twice per year. The existing distribution provides a yield of 4.8%. Telus trades near $24 per share compared to a 12-month high above $27.

TD

TD ranks as Canada's second-largest bank with a market capitalization of $113 billion. Analysts traditionally recommend TD as the safest pick among the big Canadian banks due to its core focus on retail banking activities. Personal banking, commercial banking, and wealth management all tend to be quite lucrative segments.

The pandemic poses some risks for TD and its peers. TD booked provisions for credit losses (PCL) of $3.2 billion when it reported fiscal Q2 2020 results. A good chunk of the PCL related to the U.S. division. TD's American business actually operates more branches south of the border than it does in Canada, but the Canadian business is more profitable.

Despite ongoing headwinds and the threat of high unemployment through 2021, TD remains very profitable. The dividend should be safe and now provides an attractive 5% yield.

TD trades near $63 per share compared to $75 earlier this year, so there is decent upside opportunity when the economy recovers.

Is one more attractive?

Telus would likely be the safer pick today, while TD probably has better upside torque on a positive Q3 earnings report. At this point, I would probably split a new investment between the two stocks.

Five years from now, both stocks should trade meaningfully higher, and you get paid well along the way.

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