TFSA Investors: 2 TSX Dividend Stocks Worth Buying Right Now

Description

The Canadian stock market has recovered strongly after bottoming out in March. Investors' optimism over the reopening of the economy and the stimulus packages announced by various governments and central banks have supported the recovery rally.

However, I believe the deteriorating economic conditions, such as the expectation of Canada's GDP to contract in 2020 and the high unemployment rate, could be a headwind for the markets going forward.

So, given the uncertain outlook, you should add these two quality stocks to your portfolio, which have a strong balance sheet and also pay dividends at a healthier rate. Moreover, you can maximize your returns by using your Tax-Free Savings Account (TFSA) to invest in these stocks, as the dividends and capital gains from these investments are not taxed.

Enbridge

My first pick is **Enbridge** (TSX:ENB)(NYSE:ENB), which runs a well-diversified business covering liquids pipelines, gas transmission, gas distribution and storage, renewable power generation, and energy services. Year to date, the company has fallen by over 15%. The decline in its mainline throughput amid the lower oil prices has put pressure on the company's stock price.

However, I believe this issue could be short-lived, and the company's mainline volumes could rise, with the increase in economic activities after the pandemic-infused slowdown. Besides, Enbridge earns 98% of its EBITDA from regulated contracts, which provides stability to its earnings and cash flows.

Enbridge is a Dividend Aristocrat, which has hiked its dividends for the last 25 consecutive years at a CAGR of 11%. For the third quarter, the company's board has announced dividends of $0.81 per share at an annualized payout rate of $3.24 per share. Currently, its dividend yield stands at an attractive 7.46%.

In the first two quarters, Enbridge generated $5.23 billion of cash from its operating activities. Meanwhile, at the end of the second quarter, its liquidity stood at $14.56 billion. Despite the near-term weakness, the long-term energy demand is still strong. So, given its stable cash flows, strong balance sheet, and high dividend yield, Enbridge is an attractive buy at this level.

Fortis

My second pick is **Fortis** (TSX:FTS)(NYSE:FTS). It runs a rate-regulated utility business, which makes it less susceptible to volatility in the market. Currently, the company trades just 2% lower for this year. It has allocated 93% of its assets to the transmission and distribution of electricity and gas businesses, which are regulated, thus providing stable and predictable earnings.

In its recently completed second quarter, the company reported an adjusted EPS of $0.56, which represents year-over-year growth of 3.7%. Also, despite the uncertainty created by the pandemic, the company has maintained its long-term outlook. It expects to hike its rate base from $28 billion in 2019 to $38.4 billion by 2024 at a CAGR of 6.5%. The growth in the utility rate base would support its future earnings and payouts.

Fortis is also a Dividend Aristocrat, which has increased its dividends for 46 consecutive years. Over the previous 10 years, it has raised its dividends at a CAGR of 5.8%. Currently, the company's dividend yield stands at 3.62%. Meanwhile, the company has planned to increase its dividends at an average of 6% per annum until 2024.

So, given the defensive nature of its business, predictable cash flows, and consistent dividend growth, Fortis is an excellent buy for investors who look to protect their capital and also earn regular dividends amid the volatility.

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2. NYSE:FTS (Fortis Inc.)
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