Got $1,000? Here Are 3 TSX Stocks to Buy in a Low Interest Rate Environment

Description

While the pandemic's impact on the economy is still uncertain, interest rates globally are expected to remain close to zero for the near future. Here in Canada, the country's economy is in a recession, and the unemployment rate is close to record highs.

In March 2020, interest rates in Canada fell to 0.25% to cushion the economy from the pandemic. Notably, the rates are expected to remain at these levels through 2022.

There are some sectors and stocks that generally outperform in a low interest rate world. Lower rates let businesses borrow cheaper, and encourage consumers to spend more. Let's see which **TSX** stocks could outperform in the next few years amid the low-rate environment.

Utilities

As investors search for higher yields in a low-rate environment, utility stocks are some of the obvious options. Usually perceived as bond substitutes — utilities offer stable dividends and slow stock price movements.

Additionally, utilities carry large amounts of debt on their books. So, lower interest rates reduce their debt-servicing costs, ultimately improving their profitability.

Investors can consider top utility stock **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) in the current situation. It has returned almost 600% in the last 10 years, including dividends, notably outperforming peer utility stocks. Its above-average earnings growth has fueled its market performance in all these years.

Algonquin stock yields 4.5%, notably higher than Canadian broader markets. It has increased dividends for the last 10 consecutive years.

It is an $11 billion utility and clean energy company in North America. Its large regulated operations drive predictable and stable earnings, regardless of the economic conditions, making its dividends stable.

Gold

Lower interest rates are generally perceived as bullish for gold. While the yellow metal has already been on the run this year, it might continue its upward march.

Top gold miner stock **Barrick Gold** (TSX:ABX)(NYSE:GOLD) is a solid pick for long-term investors. The traditional safe haven has soared almost 28%, while Barrick Gold stock has gained 63% so far in 2020.

Higher gold prices accelerated gold miners' earnings growth, which notably boosted their stocks. Interestingly, continued lower interest rates and volatile equities might keep the yellow metal prices higher through 2020. This will likely keep stocks like Barrick Gold higher, despite the valuation concerns.

Consumer staples

Consumer staple stocks generally outperform amid economic weakness. Their non-cyclical nature of business generates stable earnings, even if the economy takes an ugly turn.

One safe consumer staple stock investors can consider is **North West Company** (TSX:NWC). It's a $1.5 billion Canadian retailer that sells food and everyday products to underserved communities and neighbourhood markets. It prominently operates in northern Canada, Western Canada, rural Alaska, and the Caribbean.

The company pays handsome dividends with a yield of 4.4%, notably higher than peers. North West has also raised its dividends by a fair 2.5% compounded annually in the last five years.

The company stands tall among retailers due to its presence in niche markets and its unique product portfolio. It makes more than 90% of its total revenues from essentials. This makes its top line comparatively stable, making it an apt bet amid the economic uncertainties.

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TICKERS GLOBAL

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2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:NWC (The North West Company Inc.)

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