



2 Top TSX Income Stocks to Buy in September 2020

Description

With stock markets witnessing a shaky start in September, it's looking like a perfect time to jump into some solid income stocks. Since Thursday of last week, the **S&P/TSX Composite Index** shed nearly 500 points, or 3% overall. While that seems like a fairly insignificant sum, it indicates that volatility might be on the rise. Factors such as the U.S. election, the diminishing fiscal and monetary stimulus, weak economic numbers, and of course, the potential for a coronavirus resurgence could all contribute to broader stock market volatility.

Owning some income stocks during volatile markets is a great idea. First, income stocks provide you the obvious benefit of consistent dividend income returns. Also, their business models are generally very stable and are somewhat more immune to the day-to-day swings of the overall markets. With this in mind, check out my two top **TSX** hold-forever income stocks to buy today.

Top income stock 1: Enbridge

If you are not opposed to an unpopular industry, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is trading at a very attractive price today. Its stock trades with a handsome 7.86% dividend, a forward price to earnings of 16.5 times, and only 15 times price to cash flow.

While pipeline companies have become somewhat taboo, they provide an essential service that modern society relies on. Enbridge is one of the largest transporters of oil and natural gas across North America. To stay warm in the winter and cool in the summer, many North American's *need* Enbridge's infrastructure assets — whether they like it or not.

I like this income stock because its cash flows are very resilient even despite weak commodity markets. Its cash flows are 98% regulated or contracted with high-quality counter-parties. As a result, its dividend is safe with a payout ratio of around 65% of distributable cash flow.

Undoubtedly, Enbridge has faced various challenges surrounding its \$2.9 billion Line 3 replacement project, which has had an overhang on the stock. However, apart from this project, Enbridge has a solid growth plan. Of Enbridge's \$11 billion capital plan, 68% is allocated to very safe utility,

transmission, and renewable power projects.

These projects are very likely to be approved and delivered. Consequently, it has solid potential to meet or exceed its short-term cash flow growth goals (5-7% a year into 2022). I think right now is a very attractive time to buy for the long-term.

Top stock 2: Algonquin Power

If you are more attracted by a renewable theme, then **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) is one income stock not to be missed. Despite a strong move upward for renewable stocks, Algonquin's stock has just flatlined in a range. The stock is paying a nice 4.5% dividend, but there's lots of room for that to grow.

Algonquin is unique because it has strong utilities and renewable power business segments. Investors benefit from a very predictable cash flow stream from the regulated natural gas, electricity, and water distribution businesses. They also benefit from the favourable ESG and green investing tailwinds that will fuel green energy earnings and multiple expansion for many years ahead. By combining these two unique segments, investors get stability, consistency, and growth.

Algonquin has a five-year \$9.2 billion capital plan where it is targeting an adjusted EBITDA compound annual growth rate (CAGR) of 15% over the period. For a utility, that's pretty impressive growth. [Algonquin is set up perfectly to continue its strong history of dividend growth](#) (including a CAGR of 10% since 2009).

Algonquin [recently](#) created a green energy development partnerships with **Chevron**. Algonquin's scale, geographic location (primarily in the U.S.) and development expertise will make it a preferred partner for other companies looking to expand their green energy footprint.

A Joe Biden presidential victory would be very favourable for Algonquin as well. All in, this boring income stock is looking more and more exciting as time goes on.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ENB (Enbridge Inc.)

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Author

robbybrown

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