Got $1,000? Here Are 2 Safe TSX Stocks to Tackle the Volatile Markets

Description

Central banks across the globe are hinting at keeping interest rates lower to encourage the global economy. While the stock markets might cheer the decision in the short term, weaker demand and subdued economic growth will likely pull TSX stocks lower. Lower interest rates are not beneficial for all stocks and sectors equally. Let's see how long-term investors can place their bets amid the changing economic environment.

Waste Connections for a post-pandemic recovery

Some stocks have little correlation with broader markets or economic cycles. **Waste Connections** (TSX:WCN)(NYSE:WCN) is one of them. Even in the case of a recession, this waste management company will likely keep on generating relatively stable cash flows. For the last few years, Waste Connections has managed a fairly strong earnings growth, despite being in a relatively slow-growing industry.

Waste Connections is a $35 billion company that provides non-hazardous waste collection and recycling services in the United States and Canada. It is also one of the leading oilfield waste treatment service providers in the Permian, Bakken, and Eagle Ford basins in the United States. It serves more than seven million residential and commercial customers in 42 U.S. states and six Canadian provinces.

Waste Connections has notably increased its market share, mainly driven by its inorganic growth in rural markets in the last few years. The pandemic has notably dented its business, as its commercial waste collection significantly dropped in the last few months. However, the management is confident of a recovery in the second half of the year and expects flattish annual revenue growth compared to 2019.

Waste Connections stock has soared 12% so far this year and is currently trading at an elevated valuation. Cautious investors can wait for a pullback. But the company's scale and leading market share will likely fuel an above-average growth post-pandemic.

Hydro One: A safer TSX stock with stable dividends

Utilities are some of the preferred sectors in the low interest rate environment. Investors can consider a relatively safer **Hydro One** (TSX:H) stock for the long term.

Hydro One operates as a transmission and distribution company and is not involved in power generation. This saves big upfront capital investments, like setting up a power plant or operating costs to run it. Also, its large regulated operations in Ontario make its earnings stable and predictable. That's why it is a relatively safe bet for investors.

Hydro One stock yields 4% at the moment, higher than TSX stocks at large. That means an investment of $10,000 in Hydro One stock would make $400 in dividends in 2020. If the company increases its dividends by 5% next year as expected, those payouts will grow to $420.

Utilities normally generate stable earnings and thus pay steady dividends. Amid low interest rates, investors seeking higher yields turn to utilities, which ultimately boosts their stocks.

Bottom line

Both the above-mentioned stocks might not look as attractive as some jazzy growth stock out there. However, such defensive stocks provide dividends and stability to your portfolio, which are particularly vital in uncertain times.

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1. NYSE:WCN (Waste Connections)
2. TSX:H (Hydro One Limited)
3. TSX:WCN (Waste Connections)

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