



Fear Another Market Crash? Here Are 3 Safe TSX Stocks for Beginners

Description

First-time investors should look for stocks that offer stability and decent growth potential for the long term. A steady passive income in the form of dividends would be an added advantage. Here are three such TSX stocks for beginners.

Algonquin Power & Utilities

Utility stocks seem boring, but they provide unparalleled stability. One such stock is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). Algonquin is a \$12 billion company that distributes electricity and natural gas in Canada and the United States. It also operates renewable assets and generates around 35% of total earnings from it.

Algonquin makes a large chunk of its earnings from regulated operations. Notably, regulated operations are stable and generate a specific rate of return in any economic condition. Algonquin's earnings growth was remarkably superior in the last decade compared to some of the biggest utilities like **Fortis** and **Canadian Utilities**.

That's why Algonquin returned nearly 600%, while peers returned 130% and 80% in the last decade, respectively.

Algonquin Power stock offers a dividend yield of 4%, almost in line with the industry average. It aims to increase dividends by 7% per year for the next few years. A decent yield and strong earnings growth potential make Algonquin a handsome investment choice for long-term investors.

Constellation Software

The tech giant **Constellation Software** ([TSX:CSU](#)) has been notably consistent with profitability and shareholder returns for the last several years. It acquires smaller software companies with a leadership position in their respective domain and develops a vertical market software portfolio.

Constellation Software managed to increase its [third-quarter profit](#) by 50% compared to the same period in 2019. The pandemic had hardly any dent in its financials this year.

Its stock showed similar resilience and soared more than 20% so far this year. Forget this year. Constellation Software stock has delivered above-average returns in any time frame. In the last 20 years, it has returned 7,285%, including dividends. Its unique business model, cash flow visibility, and growing market bode well for long-term investors.

Canadian Pacific Railway

Canada's second-biggest railroad company **Canadian Pacific** ([TSX:CP](#))([NYSE:CP](#)) recovered way too fast amid the dreadful pandemic. Canadian Pacific is a relatively smaller player in the duopolistic North American rail freight market after **Canadian National Railway**.

What differentiates CP is its unique network that connects the West and East coast that give access to key markets. Rail freight is a cyclical industry that offers slow but stable growth. Canadian Pacific has outperformed CNR in terms of earnings growth in the last few years. The same effectively translated into its stock performance.

CP stock returned 588% in the last decade, including dividends, while peer CNR returned 375% during the same period.

Canadian Pacific's third-quarter earnings indicate a strong comeback after the pandemic dented demand in the first half of 2020. The company expects a decent 5% earnings increase compared to 2019.

Interestingly, CP's discounted valuation gives it a leg up compared to its bigger peer. CP stock is currently trading at 23 times its 2020 earnings, lower than its historical valuation. Amid the pandemic-driven uncertainties, Canadian Pacific stock is [an apt bet with earnings stability and attractive valuation](#).

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Author

vinitkularni20

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