



3 Top Dividend-Growth Stocks to Buy Ahead of a Market Correction

Description

Canada's top dividend-growth stocks are pretty [underrated](#) versus their higher-yielding peers.

While the yields on some of the fastest-growing dividends out there may not be handsome today, they are capable of growing at a rate such that they can play a major role in financing a comfortable retirement lifestyle many decades down the road.

That makes many of today's top Canadian dividend-growth stocks great buys for young long-term investors amid the latest market pullback. By forgoing a bit of yield today, you can achieve great dividend growth, and that can mean all the difference over the course of decades.

Without further ado, let's get into my top three dividend-growth stocks to buy amid the latest [market dip](#).

CN Rail

Bill Gates has been a long-time shareholder of **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)) for a reason. It's one of the best dividend-growth stocks on the TSX, with one of the widest moats protecting the firm's share of economic profits. The business of the railways has changed very little over the past several decades, and I'd be willing to bet that there won't be that much change (or disruption) over the next several decades.

If anything, any innovative technologies are likely to add to CN Rail's vast moat and bolster the Canadian firm's reputation as North America's most efficient railway. Shares of CNR are down following an underwhelming earnings report and are worth looking to if you've money to invest amid a market correction.

The stock yields nearly 2% and is in a great position to recover in the second half of 2021, as the COVID-19 crisis looks to die down. While CNR actually beat on earnings for the fourth quarter, investors weren't at all impressed with guidance. With a low bar set ahead of CNR, I'd look to accumulate shares now, as I think CN has much room to improve upon its operating ratio, which took a hit during the worst of 2020.

Algonquin Power & Utilities

Clean energy firms are facing incredible secular tailwinds. Such tailwinds, I believe, could have the potential to be so powerful such that certain renewable power plays are capable of posting sizeable yields upfront alongside above-average dividend-growth potential over the long run. That's the green advantage. And I think Canadians lacking renewables exposure ought to look to **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) at current prices.

While many green energy stocks skyrocketed higher in 2020, Algonquin just appreciated modestly. Today, the stock is still down around 5% from its pre-pandemic, all-time high, with a solid 3.7% yield. For those looking for quality renewable power exposure at a low price, look no further than Algonquin on its latest dip.

The stock trades at just 20.2 times trailing earnings and 2.2 times book, which, I believe, discounts Algonquin's high-quality earnings-growth potential over the long haul.

Bank of Montreal

If you're looking for a larger dividend yield alongside above-average dividend growth, **BMO** ([TSX:BMO](#))([NYSE:BMO](#)) is a stellar pick, as the banking giant continues its climb out of its 2020 depths. Today, the stock is down 9% from its January 2020 high, with a juicy 4.5% yield. As the world looks to recover from the COVID-19 crisis, I think BMO is a name that could be ready to make a run to all-time highs, as analyst focus moves from provisioning to earnings growth.

BMO recently clocked in an incredible fourth quarter, posting an adjusted EPS of \$2.41, beating the consensus of \$1.90. Revenues were at \$3.4 billion, and while COVID-19 pressures may weigh on another quarter or two, one has to think that the well-run bank will be in a spot to make up for lost time in its latter two quarters.

In any case, BMO is a great dividend (growth) stock that still looks underpriced at 1.2 times book value, given the more promising trajectory over the next 18 months.

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2. NYSE:BMO (Bank of Montreal)
3. NYSE:CNI (Canadian National Railway Company)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BMO (Bank Of Montreal)
6. TSX:CNR (Canadian National Railway Company)

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