Got $3,000? 3 Top TSX Dividend Stocks to Buy Amid Volatility

Description

Rising COVID-19 cases and uncertainty over the pace of economic recovery indicate that the stock market volatility could remain elevated in the near term. Amid heightened volatility, it makes sense to invest in dividend stocks for steady income flow. Further, dividend-paying stocks are relatively stable, thanks to their high-quality earnings base.

So, if you've got $3,000 to invest, consider buying these three top **TSX** dividend stocks.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is among Canada's largest lenders and is known for its reliable dividends. The bank has uninterruptedly paid dividends for 164 years and has increased it by a CAGR (compound annual growth rate) of 11% (the highest among peers) since 1995. Its high-quality earnings back its robust dividend payments. Meanwhile, its payout ratio of 40-50% is sustainable in the long run.

With the economic reopening and improving operating environment, Toronto-Dominion Bank could continue to enhance its shareholders' returns through higher dividend payments. The uptick in loans and deposit volumes, strength in non-interest income, and a sharp decline in provisions are likely to drive Toronto-Dominion Bank's earnings and, in turn, its dividends. Its annual dividend of $3.16 a share translates into a decent yield of 3.8%.

Algonquin Power & Utilities

If you are looking for a growing dividend income stream, consider buying the shares of the utility giant **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN). Thanks to its high-quality earnings base and ability to generate resilient cash flows, Algonquin Power & Utilities has raised its dividends by 10% annually over a decade. Currently, it yields over 3.8%, which is very safe.

Algonquin Power & Utilities generates the majority of the earnings from the regulated and contracted assets, which remain relatively immune to the economic ups and downs and drive its dividend payments. On average, the company expects its rate base to increase by about 11% annually through

2025, which is likely to give a significant boost to its earnings and future dividend payments. It expects its adjusted EBITDA to increase at a CAGR of 15% through 2025. Its earnings are forecasted to increase by 8-10% during the same period, suggesting that the company remains well positioned to deliver higher dividends in the coming years.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a must-have stock for income investors. The energy infrastructure giant has regularly paid dividends for over 66 years and raised it by about 10% annually in the last 26 years, thanks to its highly diversified cash flows streams and continued momentum in the core business. At current price levels, Enbridge stock is yielding over 7.2%, which is safe.

Enbridge's diversified cash flows and contractual arrangements augur well for future dividend growth. Meanwhile, recovery in its mainline volumes and momentum in the gas business suggest that the company could continue to deliver strong distributable cash flows (DCF). Enbridge sees 5-7% growth in its future DCF per share, indicating that its investors could expect its future dividends to increase at a similar pace. Meanwhile, its multi-billion-dollar secured capital program, strength in the core business, expense management, and sustainable payout ratio suggest that Enbridge could continue to boost its shareholders' returns through increased dividend payments.

CATEGORY

1. Bank Stocks
2. Coronavirus
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
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