Buy These 3 Dividend Stocks Amid Rising Volatility

Description

Amid the concerns over rising inflation and high valuation, the Canadian equity market was under pressure last week, with the benchmark index, the **S&P/TSX Composite Index**, declining by 0.5%. With the equity markets expected to remain volatile in the near term, here are three Canadian dividend stocks that can strengthen your portfolio.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) runs a low-risk utility business, serving around one million customers. The company also operates hydroelectric, wind, and solar power facilities while selling the power generated from these facilities through long-term contracts, shielding its financials from price and volume fluctuations and delivering stable financials. These steady earnings and cash flows have allowed the company to raise its dividend by over 10% every year in 11 previous years.

Currently, the company pays quarterly dividends of $0.2094, representing a forward dividend yield of 4.5%. Meanwhile, Algonquin Power & Utilities's management has planned to invest $9.4 billion over the next five years, with $6.3 billion on utility assets and $3.1 billion on renewable energy assets. Along with these investments, the rate hikes could boost its earnings and cash flows. Further, its financial position also looks healthy, with its liquidity standing at $1.45 billion as of March 31. So, I believe Algonquin Power & Utilities could be an excellent buy in this uncertain outlook.

Canadian Natural Resources

Second on my list would be **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which has raised its dividends for 21 consecutive years. Currently, the company pays quarterly dividends of $0.47 per share, representing a forward dividend yield of 4.5%. Amid the recovery in oil demand, it had reported an impressive first-quarter performance earlier this month. Its adjusted EPS came in at $1.03 compared to a net loss of $0.25 in the corresponding quarter of the previous year. Further, it also generated a free cash flow of $1.4 billion, strengthening its financial position.

Meanwhile, the company's management expects its production to increase 5% this year. Higher realization prices and increased production could boost the company's earnings and cash flows. Its free cash flows could come in the range of $5.7-$6.2 billion this year, with an average realization price of $60 per barrel. So, given its excellent track record, favourable industry trends, and healthy liquidity position, I believe Canadian Natural Resources's dividend is safe.

Telus

Third on my list would be **TELUS** (TSX:T)(NYSE:TU). Despite the pandemic, the company added 145,000 new connections in its first quarter, while its revenue and adjusted EBITDA grew 8.9% and 1.9%, respectively. Its revenue from telehealthcare services grew 10% amid rising demand, with the number of subscribers tripling over the last 12 months to 2 million. Further, the company generated a free cash flow of $321 million.

Meanwhile, Telus's management plans to spend around $3.5 billion this year to expand its 5G coverage and enhance its fibre and broadband network. Along with these investments, the improvement in economic activities and expansion in its high-growth businesses, such as TELUS International, TELUS Health, and TELUS Agriculture, could drive its financials in the coming quarters. So, I believe its dividend is safe. Currently, the company pays a quarterly dividend of $0.3162, representing a forward dividend yield of 4.8%. Further, the company is also trading at a reasonable valuation, with its forward price to sales and price to book standing at 2.1 and 2.4, respectively.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:TU (TELUS)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:T (TELUS)

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Date
2025/08/24
Date Created
2021/05/17
Author
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