3 Top Dividend Stocks for July

Description

We’re halfway through 2021 and value stocks have been outperforming growth stocks this year. This trend could continue in the month of July as the economic reopening gathers steam and investors brace for a wave of inflation. The best way to navigate this tumultuous time is to focus on robust, undervalued dividend stocks.

Here are the top dividend stocks that should be on your radar in July.

Dividend stock 1

Fortis (TSX:FTS)(NYSE:FTS) is probably one of the most secure stocks you can bet on. Over the past few decades, this utility giant has turned into a safe haven for investors. That’s because its price rarely declines, even during a crisis. Fortis stock is currently trading at roughly the same price as it was in 2019, with a brief dip in 2020.

However, the company pays a hefty dividend to reward shareholders along the way. The dividend yield is 3.6% at the moment. That’s likely to increase every year as it has over the past 46 years. The company’s cash flows are so predictable and the operations so efficient, that a steadily increasing dividend is a certainty.

Fortis is one of the best dividend stocks to buy in July or any other month of the year.

Dividend stock 2

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is an excellent dividend stock for investors who’re worried about rising inflation. In April, annualized inflation hit 3.4% — the highest rate since 2011. That’s despite the fact that most of the national economy isn’t fully reopened yet. Once pent-up demand is fully unleashed, inflation could surge much higher.

This is a global phenomenon. The annualized rate has already hit 5% in the United States and China has implemented price controls to tackle the crisis.

A global wave of inflation is quickly reflected in the price of commodities. That means stocks like CNQ should expect a tailwind. It's already up 43% year to date. Despite that surge, the stock trades at a relatively modest 23.8 times earnings and offers a 4.2% dividend yield.

If you're looking for an inflation hedge in July, which is when Canada's consumer economy comes roaring back, this dividend stock is your best bet.

Dividend stock 3

Power Corporation of Canada (TSX:POW) is an underrated dividend gem. The financial powerhouse operates a portfolio of insurance, asset management, and financial tech firms.

Through its network of subsidiaries, Power Corp. owns a controlling stake in insurance giant **Great-West Lifeco**, financial advisory service Mackenzie Investments and asset manager IG Wealth Management. The company also owns a very small and indirect stake in companies such as **LafargeHolcim**, **Pernod Ricard**, **Adidas**, and **Total**.

However, its portfolio of financial technology or FinTech startups is the most intriguing. Power has a major stake in online brokerage WealthSimple, which is Canada's version of Robinhood. The growth in retail investing over the past year has greatly boosted the value of this stake.

The company also owns a major stake in the digital banking service Koho, which is quickly gaining market share in Canada.

Altogether, this diverse portfolio delivers substantial cash flows which translate to a dividend yield of 4.5%. The stock also trades at a price-to-earnings ratio of 11.5, which is inexplicably low. Keep an eye on this one in July.

CATEGORY

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2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:FTS (Fortis Inc.)
5. TSX:POW (Power Corporation of Canada)

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