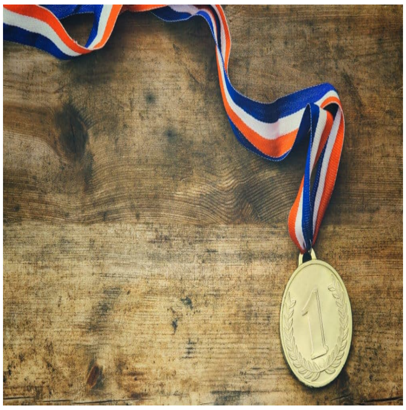

The 3 Best Canadian Stocks to Buy for July 2021

Description

Investors looking for steady returns can consider purchasing blue-chip Canadian stocks such as **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), **Enbridge** (TSX:ENB)(NYSE:ENB), and **Fortis** (TSX:FTS)(NYSE:FTS).

All three companies enjoy a leadership position in their respective industries, allowing them to generate predictable cash flows and support robust dividend yields.

Toronto-Dominion Bank

One of the largest companies in Canada, TD Bank is valued at a market cap of $159.5 billion. In the fiscal second quarter of 2021, it reported adjusted earnings of $3.775 billion, or $2.04 per share, compared to earnings of $1.6 billion, or $0.85 per share, in the prior-year period.

The bottom line of banks was impacted in the last year due to high provisions for credit losses. As unemployment levels touched multi-year highs amid the pandemic in May 2020, banks deployed significant reserves to offset the possibility of bad debts and defaults. However, as the economy mounts a comeback, earnings are forecast to rise in 2021. In fact, TD Bank is expected to improve its earnings by 42.5% to $7.64 per share in fiscal 2021.

TD has over $1.73 trillion in assets and a sizeable operation south of the border. As of June 2020, it had 1,227 branches in 16 U.S. states, while its deposits totaled $351 billion. The banking giant has enough liquidity to consider big-ticket acquisitions. Further, analysts also expect TD Bank and its peers to increase its dividend yield by a significant margin once these restrictions are lifted. Currently, TD stock provides a forward yield of 3.6%.

Enbridge

Enbridge is part of a cyclical industry but remains relatively immune to commodity prices. It has a diversified base of cash-generating assets with a fee-based business model and an expanding portfolio of renewable energy projects. The company’s cash flows are backed by long-term contracts that have allowed it to increase dividends at an annual rate of 10% in the last 26 years.

Currently ENB stock provides investors with a yield of 6.75%, which means an investment of $25,000 in this company will help you derive $1,700 in dividends each year.

In the last 12 months, Enbridge has reported revenue of $39 billion and net income of $7 billion, indicating a margin of 17%. Its earnings per share of $3.13 might seem low given its annual dividend payout of $3.34 per share. However, energy companies use DCF, or distributable cash flows, to assess their dividend-paying ability.

This metric excludes maintenance-related capital expenditures as well as non-controlling interests and other items that don’t impact its operational capabilities. In 2021, Enbridge has forecast DCF between $4.70 and $5 per share, indicating a payout ratio of less than 70% at the midpoint guidance.

Fortis

The final stock on the list is Canadian utility giant Fortis, a company that has increased dividends for 47 consecutive years. Fortis is part of a recession-proof industry, allowing it to generate cash flows across economic cycles. Currently, Fortis stock has a forward yield of 3.7%.

In the first quarter of 2020, Fortis reported earnings of $0.77 per share compared to $0.68 in the prior year period. The company attributed earnings growth to an increased rate base and higher earnings in Arizona. Fortis spent $0.9 billion in capital expenditure and is on track to end the year with $3.6 billion in capex, which, in turn, will support further dividend increases.

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2. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:ENB (Enbridge Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:TD (The Toronto-Dominion Bank)

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