3 Safe Canadian Dividend Stocks to Buy in July 2021

Description

Dividend-paying stocks generally outperform broader markets in the very long term. They are comparatively less volatile and thus offer a better risk/reward proposition for conservative investors. Here are three of the best Canadian dividend stocks to buy, as markets hang around their record-high levels.

Canadian Utilities

If you are looking for stability and a decent dividend yield, **Canadian Utilities** (TSX:CU) could be an attractive pick. CU stock offers a dividend yield of 5% — higher than average. Plus, with 49 years of consecutive dividend increases, Canadian Utilities has the longest of such a streak in Canada.

What's interesting is that the company could well continue raising shareholder payouts for years in the future. It generates a majority of its profits from stable, low-risk, regulated operations. Even if the broader economy suffers from recession or an economic boom, companies like Canadian Utilities earn stable profits, making them solid, defensive bets.

Some analysts claim that utilities will underperform, as interest rates are set to increase in the next few years. However, utility stocks like CU that sport a huge yield premium could continue to play well, even if rates are raised gradually. To be precise, even if the fed keeps its word and raises rates close to 1% later in 2023, that's still a decent yield spread Canadian Utilities investors can realize.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY), the biggest Canadian bank by market cap and customer base, is my second pick for income-seeking investors. It currently yields 3.4%, which is in line with TSX stocks at large. However, Canadian banks could deliver the much-awaited dividend increase probably later this year.

Canadian banks set aside billions of dollars last year as provisions for bad loans amid the pandemic.

Thanks to heavy stimulus spending and relatively faster recovery, banks had to use less than what they had expected. Canadian banks, including Royal Bank, could create significant shareholder value with higher dividends or share buybacks once regulators give them the green signal.

Royal Bank's revenue and earnings growth will likely remain encouraging, at least for the next few quarters. An impending economic recovery, a high-quality credit portfolio, and surging capital markets could fuel its relatively faster recovery post-pandemic.

Canadian Natural Resources

The energy sector has outperformed broader markets by a wide margin since last year. Canada's top oil sands producer stock **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) returned more than 100% in the last 12 months. It yields 4.2% at the moment — higher than peer energy giants.

CNQ has a strong balance sheet, long history of dividend increases, and a stable earnings profile. It maintained its dividend-increase streak last year as well when oil prices went deep in negative territory.

Canadian Natural is a low-cost energy producer that has high-quality mining assets. Its diversified product base and integrated operations play well for long-term earnings growth. As business activities come to normal and travel restrictions wane post-pandemic, oil prices could further soar, ultimately benefitting oil producers like Canadian Natural.

CNQ offers an appealing total return potential with its consistently growing dividends and strong outlook for energy commodity prices.

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:RY (Royal Bank of Canada)

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