



Canadians: 1 Top Passive-Income Stock for You

Description

What an [incredible](#) first half to 2021 that invested Canadians have enjoyed. While the second half may be more turbulent, with greater volatility and a lower likelihood of finishing the year with another 10-15% rally, I think now is as good a time as any to pick away at the names that haven't participated in the latest rally to the full extent.

Although North American equity markets seem a tad pricey, don't let anyone tell you that you can't stock-pick your way to [incredible results](#). By placing big bets on your best ideas at any given instance, you can very well finish off 2021 with a bang, even if the broader **TSX Index** were to drag or even pullback modestly over the coming six months.

Stock-picking your way to superior results in the second half

One of the more compelling passive-income picks that I think stands out right now is **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). Even if the broader basket of energy stocks drag or fluctuate wildly into year's end, you'll be able to collect TC Energy's juicy dividend payments while the yield is in the 5.7-6% range.

Undoubtedly, there's a small chance that we could be hit with runaway inflation. Although the U.S. Fed appears to have everything under control, with inflation likely to peak in early summer, one can't rule out a scenario where 5% or even 7% inflation sticks around for a while longer.

The Fed dot plot seems quite scattered. Undoubtedly, the degree of unpredictability moving forward is not to be underestimated. As such, investors should prepare accordingly for anything, from normalizing inflation in 2022 to less-transitory inflation that could persist for another year at minimum.

With a safe and sound passive-income portfolio, your dividends should better help you get through any inflation storms, no matter how wicked. With TC Energy's valuation at the lower end of the spectrum, you'll also have a slightly wider margin of safety and will be less rattled come the next correction.

TC Energy: A utility-like energy stock that's too cheap right now

At the time of writing, TC Energy stock trades at 25.4 times trailing earnings, 2.2 times book value, and 4.6 times sales, all of which are in line with industry averages. The dividend is well covered by operating cash flows and could be in a position to grow as industry conditions continue to improve on the other side of the pandemic.

The gas and liquids pipelines are far less sensitive than the producers to near-term commodity price fluctuations. As oil looks to rally past the US\$80 mark, a midstream kingpin like TC Energy may not get as much a boost into year's end. Still, if you're in the camp that believes commodities are long overdue for a pullback after the economic reopening, the pipelines may be a wiser bet for conservative income investors.

In any case, TC Energy is my favourite way to play the midstream space. The company has a great diversified mix of growth projects and will be moving on from Keystone XL and its overhang. As new operations come online, I expect the dividend to grow at a mid- to high single-digit rate over the foreseeable future.

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Date

2025/08/31

Date Created

2021/07/03

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