The 3 Best Canadian Dividend Stocks to Buy Now

Description

The recent market pullback has TFSA and RRSP dividend investors wondering which stocks might be good to buy for the second half of 2021.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is one of Canada's top energy companies with production assets and reserves that span the hydrocarbon footprint. CNRL is best known as an oil company, but it also a leading natural gas producer.

The price of oil recently dipped on news that OPEC intends to slowly add supply to the market after making steep cuts last year. Given the demand outlook and tight supply conditions expected in the next few years, the selloff in the oil price is likely overdone. At the same time, natural gas prices are hitting new multi-year highs.

The CNRL board raised the dividend by 11% this year, supported by strong results and a solid balance sheet. CNRL generates significant profits at current energy prices and should continue to deliver generous dividend increases. The stock is off the 2021 high, giving investors a chance to buy at a decent price. At the time of writing, the stock provides a 4.8% dividend yield.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a leading player in the Canadian communications industry. The stock has always been a top pick for dividend investors who want above-average yield and reliable payouts. This should continue to be the case for the coming years.

BCE is investing billions of dollars to build out its fibre optic and 5G networks. The investments will ensure BCE continues to meet customer broadband needs while protecting its wide competitive moat. The company enjoys pricing flexibility an generates adequate free cash flow to support the dividend.

The stock is a good defensive pick to ride out market turbulence. Investors can currently pick up a nice 5.7% yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) had a big run off the 2020 lows, as investors started to figure out that loan losses were not going to be anywhere near as bad as predicted at the start of the pandemic. Low interest rates and plunging bond yields are supporting a new frenzy in the housing market. Things will eventually cool down, but there is little risk of the 10-20% plunge in house prices that scared investors a year ago.

Bank of Nova Scotia's international operations offer strong long-term growth potential. The stock is a great way to play emerging market expansion through a stable Canadian company.

Bank of Nova Scotia is sitting on a huge pile of excess cash that it will start to deploy as soon as the government allows the banks to raise dividends and buy back shares. Investors can buy the stock at a fair price right now and pick up a 4.7% dividend yield. It wouldn't be a surprise to see annual dividend increases of more than 10% in the next few years.

The bottom line

CNRL, BCE, and Bank of Nova Scotia are all great Canadian companies that pay attractive dividends. An equal investment in the three stocks would provide an average yield of better than 5% with strong dividend-growth potential over the coming years.

If you only buy one, I would probably make CNRL the first choice today. The energy stock appears undervalued right now and probably has the best dividend-growth prospects over the medium term.

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1. Editor's Choice

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