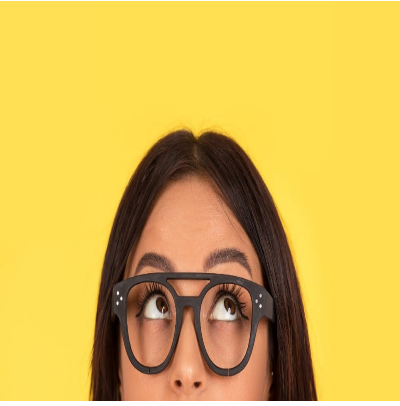

Worried About Market Volatility? 3 Top TSX Stocks to Buy Today

Description

We don't start digging a well when we feel thirsty. And still, many of us start building a defensive portfolio when markets start looking uncertain. A reasonable portion of your portfolio in stable, dividend-paying TSX stocks will come in handy in volatile markets. Interestingly, these stocks create a passive-income stream, outperforming broader markets in bearish times. Note that it is okay to settle for lower returns in the short term for long-term stability.

Here are some top Canadian names that could be ideal stocks for your defensive portfolio.

Top Canadian stocks to buy

Canada's top utility **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is a classic defensive stock that could stand tall in almost all market scenarios. Along with large, rate-regulated operations, Algonquin also has significant interests in renewable assets. The combined asset base facilitates industry-leading earnings growth. As a result, Algonquin has returned almost 500% in the last decade, notably outperforming peer utility stocks.

Another top defensive stock could be energy midstream giant **Enbridge** (TSX:ENB)(NYSE:ENB). Unlike oil and gas producers, Enbridge has a low-risk business model that earns fees as revenues for using its pipeline infrastructure to transport energy commodities.

BCE (TSX:BCE)(NYSE:BCE) also fits the bill of a stable, defensive TSX stock that could outperform volatile markets. It is Canada's biggest telecom company by market cap and is the second largest by the subscriber base. Telecom companies like BCE also generate stable earnings driven by their predictable, low-risk operations.

One thing that is common among these three top TSX stocks is their earnings stability. Even if all three operate in different sectors, their operations are low risk, making their earnings more predictable. This enables stable dividend growth and capital appreciation prospects.

Dividends

Among the three, Enbridge leads the pack with a dividend yield of 7%. BCE and AQN yield 4.4% and 5.4%, respectively.

Enbridge has increased its dividends for 26 consecutive years. Interestingly, during this period, its dividend-growth rate was a decent 10% CAGR, notably higher than the industry average. Importantly, it will likely continue to increase dividends for the future, driven by its stable earnings growth.

BCE and AQN also stand tall in terms of dividend-growth streak. Algonquin aims to increase shareholder payouts by 5-7% per year for the next few years. As earlier stated, its recession-resilient operations facilitate visible earnings growth, which ultimately drives dividend growth. Interestingly, consistently increasing dividends significantly drive stocks' total returns upwards over the long term due to the compounding effect.

BCE could see accelerated earnings growth in the wake of the 5G, which could fuel superior dividend growth in the long term. It has been investing heavily in capital projects on network improvements and 5G expansion this year. Along with robust dividends, BCE stock looks attractive with its decent growth potential for the long term.

Bottom line

Institutional investors turn to defensives when uncertainty in broader markets increases, giving an upward push to them. However, rebalancing portfolios just ahead of a looming market weakness could prove ineffective for individual investors. That's why having high-quality, stable TSX stocks that pay reliable dividends in the portfolio pays off.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

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2. NYSE:BCE (BCE Inc.)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BCE (BCE Inc.)
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