3 Top Canadian Dividend Stocks to Buy While They're Still Cheap

Description

The Canadian stock markets could be due for a shake-up as we head into the fall. There are a lot of factors (health, politics, geopolitics, economics) that could shake up markets. That is why it is not a bad idea to get defensive in some high-quality Canadian dividend stocks. Here are three stocks that are attractive and cheap.

A top Canadian dividend-growth stock

Algonquin Power (TSX:AQN)(NYSE:AQN) is a great stock for defence and offence with a unique portfolio of regulated utilities and renewable power assets. That combination provides stable, predictable cash flows if the market turns down, and upside from long secular tailwinds driving renewable power growth.

Algonquin has been investing heavily to expand its operational capacity and increase its rate base. It has a $9.4 billion capital plan in the works. Through this, it expects to generate 8-10% annual earnings per share growth over the next four to five years. It has already deployed $3.1 billion of that capital.

These returns do not include any mergers or acquisitions (although, there have been rumours about a potentially large one) or its greenfield renewable power development pipeline. In addition, it pays a great 4.3% dividend that it has consistently grown for years. This Canadian stock is down over 5% this year and looks attractive for a long-term position.

A top real estate play on Europe

Real estate is a really attractive asset class right now. With interest rates low and higher-than-average inflation, real estate businesses are able to earn very high, growing cash flow spreads. One Canadian stock that is not that well-known is **European Residential REIT** (TSX:ERE.UN). Frankly, there is nothing truly Canadian about this stock.

It owns over 6,000 multi-family rental units in the Netherlands and a few commercial office properties sprinkled across Western Europe. The Netherlands is a great place to own apartments. The country has a very dense population, strong immigration trends, and a very limited new housing supply.

This REIT has high 98% occupancy and is seeing mid-teens rent growth on new leases. Its debt is around 1.6%, so it captures market-leading debt-adjusted cash flow yields. Despite this, this Canadian stock is one of the only residential REITs that's trading below its net asset value. It pays a 3.5% dividend and it looks like great value today.

A top Canadian bank stock

For dividends, Canadian banks stocks are well-known around the world. While I wouldn't call **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) a cheap stock, it is down 2% since it released earnings on Thursday. The company beat earnings expectations, earning $1.92 per share in the quarter.

However, the stock saw is seeing some weakness. Quarter-over-quarter revenues were down less than 1%. Some of that was due to loan growth stagnating in the U.S. because of large stimulus measures. The banks believe loan growth should return to normal as fiscal stimulus declines.

So, if it is just the dividend you want, you can't go too far wrong with owning TD. It pays a good, well-covered 3.7% dividend. Once Canadian banking regulators allow, this stock will likely see a dividend increase.

Overall, TD is a very strong Canadian institution. It is Canada's largest retail bank and one of the largest in the U.S. It has a strong balance sheet and excess capital to deploy into acquisitions or share buybacks. For safe, solid dividends, this is not a bad Canadian stock to buy on the recent stock pullback.

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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ERE.UN (European Residential Real Estate Investment Trust)
5. TSX:TD (The Toronto-Dominion Bank)

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