The 3 Best Canadian Stocks to Buy in September 2021

Description

September and October have traditionally been rocky months for Canadian stocks. Yet, so far that has not proven to be the case. The **S&P/TSX Composite Index** just set new all-time highs over 20,800 points! While it appears stocks could keep going up forever, I am starting to get a little bit more cautious about valuations.

Cheap capital is keeping stocks elevated, but will it last?

Low interest rates and cheap capital have meant most people have no choice but to invest in stocks for decent, inflation-adjusted returns. I can never time the market properly, so I like to combat potential market volatility by diversifying my portfolio and thinking long-term.

Owning a bit of income, defence, and value all seem to make sense right now. Here are three Canadian stocks that could meet each of those criteria in September.

A Canadian dividend stock: Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has one of the highest yielding dividends you can find amongst Canadian stocks today. It pays a 6.66% dividend. In any normal environment, that alone would be a pretty attractive return. However, this Canadian stock also should deserve some capital appreciation over the coming years.

It has a very diverse business that produces reliable, contracted streams of cash flow across its portfolio. Its energy pipelines and assets are essential for our modern North American economy to operate.

Enbridge will be bringing online its Line 3 replacement pipeline by year-end. It also has a significant number of natural gas assets nearing completion. Consequently, it should see a nice boost to cash flows. Investors can likely expect a nice 5-7% dividend increase this year and going forward.

A defensive stock: Brookfield Renewable Partners

If you want to get a little more defensive and lower your exposure to carbon-related energy, **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) is a solid Canadian stock to own. It operates 21,000 megawatts (MW) of hydro, wind, solar, distributed generation, and battery power across the world. Its large diversified portfolio helps offset some of the variability involved in renewable power generation.

As a result, it can consistently grow its cash flows and dividend rate. It has over 30,000 MWs of projects in its development pipeline. Many of these are contracted with governments or massive carbon-sensitive corporations (like **Amazon.com**, **Facebook**, etc.). This Canadian stock pays a 2.9% dividend, but that is only a piece of the 12-15% annual total returns that it targets.

A value stock: Canadian Pacific Railway

Railroads have historically been great businesses to own for the long run. Their infrastructure is irreplaceable and it is nearly impossible to transport tons of raw goods efficiently in any other way. That is one reason why **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) is one of my favourite Canadian stocks.

This stock has declined recently on news that once again, it could be in a position to try and acquire **Kansas City Southern Railway**. Some investors are concerned about the financial risks with such a large and pricey acquisition.

Yet, these kinds of transactions are a once-in-a-lifetime opportunity. Canadian Pacific has some of the smartest railroad managers in the business. It consistently produces one of the best operating ratios in the industry and it has grown profits faster than many peers (especially **Canadian National Railway**). If any company can acquire KSU, it will likely be CP due to its smaller size and lowered competitive threat.

All-in, CP is already a great company. The approved merger with KSU would go to make it an exceptional North America-wide railroad. These potential catalysts make these Canadian stocks a worthwhile investment today for the long run.

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2. NYSE:CP (Canadian Pacific Railway)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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Date
2025/08/26
Date Created
2021/09/08
Author
robbybrown