Evergrande Effect: 2 Top TSX Stocks to Buy Now

Description

The risk of a major meltdown in China's property market is hitting global equity markets. Investors who missed the TSX market rally this year are wondering how they can take advantage of the broad-based pullback.

default watermark

Evergrande debt crisis

The big headline in recent days is the risk that **China Evergrande Group** will collapse under US$300 billion in debt. The challenges faced by the country's largest real estate company threaten to set off a domino effect across the Chinese real estate industry, impacting buyers and suppliers. If Chinese banks decide to stop lending to real estate-related borrowers, the spillover could impact the larger Chinese economy. Investors are concerned that might hit global economic growth at a critical time when the world is trying to emerge from pandemic lockdowns.

The story is worth watching, as many people remember how loose regulations, cheap money, and speculation in the U.S. real estate sector led to the sub-prime mortgage crisis that popped the housing bubble and started the financial crisis, triggering the Great Recession.

Investors might want to avoid some commodity stocks until the situation cools down, but other sectors that are taking a hit shouldn't be impacted by the issues in the Chinese property market.

Let's take a look at two top TSX stocks that might be good buys right now.

BCE

BCE's (TSX:BCE)(NYSE:BCE) business is focused on the Canadian communications industry. The company is the largest player in the sector with a market capitalization of $58 billion.

BCE continues to invest in network upgrades that ensure customers have the broadband access they need while helping BCE protect its wide competitive moat. The company recently spent $2 billion on new spectrum that will support the expansion of BCE’s 5G network.

Earlier this year, the CRTC cancelled plans to force BCE and its peers to cut wholesale internet rates. The decision gives BCE better clarity on its revenue outlook and allowed the company to immediately boost investment in new high-speed connections by $500 million.

BCE has a number of opportunities to grow revenue in the coming years through 5G and the expansion of other services such as security. Financing remains cheap to fund the capital program and the business generates adequate free cash flow to cover the generous dividend.

The stock is down to $64 from the 2021 high of $67. Investors who buy here can pick up a 5.5% dividend yield.

TD

TD (TSX:TD)(NYSE:TD) trades near $81 per share at the time of writing. That’s the lowest the stock has been since the first part of March this year and well off the 2021 high of $89.

Canada’s second-largest bank by market capitalization primarily focuses on retail banking activities in Canada and the United States. TD set aside billions of dollars last year to cover potential loan losses caused by the closure of businesses and skyrocketing unemployment, but the large aid programs put in place by the Canadian and U.S. governments helped avoid the worst-case scenario.

default watermark

TD reported strong fiscal Q3 2021 results. With a CET1 ratio of higher than 14%, the bank is sitting on significant excess cash. Investors should see a nice dividend hike when the government allows the banks to restart distribution increases. TD might also use the cash to make another U.S. acquisition.

Investors are a bit concerned the Canadian government might impose a higher income tax on Canadian financial companies. This would reduce the amount of cash available to distribute to shareholders, but it is unlikely to have a large overall impact on the organization.

The bottom line

BCE and TD are top players in their respective industries. The stocks appear attractive at current prices and pay good dividends that should continue to grow. If you are looking for a place to hide from the Evergrande contagion fears, these stocks deserve to be on your radar.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)

2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Investing

default watermark

Tags

1. Editor's Choice

Date
2025/07/26
Date Created
2021/09/21
Author
aswalker

default watermark