3 Top TSX Dividend Stocks to Buy in October

Description

October has a history of being a volatile month for stocks. The overall market remains expensive, even after the September pullback, so it makes sense to search for top-quality dividend stocks that trade at reasonable prices to add to a TFSA or RRSP right now.

TD

TD (TSX:TD)(NYSE:TD) trades at roughly 10 times trailing 12-month earnings. That's the cheapest price-to-earnings multiple among the largest Canadian banks.

TD has large retail banking operations in Canada and the United States. The economic recovery that began in recent months should pick up steam in 2022, as COVID-19 vaccination rates improve, and the reopening of the economy kicks into full gear.

Investors might be concerned that a potential spike in interest rates could trigger a rise in defaults on loans and mortgages. TD has a large Canadian residential mortgage portfolio, so a big move in mortgage rates in a short period of time could cause some trouble. That being said, things would have to get pretty bad in the housing market for TD to take a meaningful hit. Higher interest rates normally lead to better results for the banks, as they can boost net interest margins and drive better returns on cash set aside to cover deposits.

TD is sitting on a war chest of extra funds right now. Investors should get a nice dividend increase when the banks are allowed to restart payout hikes. That could be as early as Q1 2022. The current distribution provides a 3.7% dividend yield.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a leader in the North American energy infrastructure industry. The company moves 25% of the oil produced in the U.S. and Canada and transports 20% of the natural gas used in the United States. Enbridge also has a growing renewable energy group with wind and solar projects, as well as natural gas distribution utilities that provide millions of commercial and residential customers with fuel.

Enbridge expects to put $10 billion in capital projects into service this year and recently announced a US$3 billion acquisition. Growth should continue at a steady pace, and Enbridge is targeting distributable cash flow increases of 5-7% per year over the medium term. Dividend hikes should be in the same range.

The stock looks attractive near the current price of $50.50 per share and provides a 6.5% dividend yield.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades for close to $63.50 per share at the time of writing. That's down from the 2021 high of $67. Investors who buy now can pick up a solid 5.5% dividend yield.

BCE generates strong free cash flow to support the generous payout. The company has the power to raise prices when it needs extra cash and is large enough that it can make the required investments to protect its wide competitive moat. BCE recently spent $2 billion on new spectrum to support its 5G network rollout. The company also continues to expand its fibre-to-the-premises initiative. These investments should help drive future revenue growth to support steady dividend increases.

The bottom line on top TSX dividend stocks

TD, Enbridge, and BCE are all top-quality companies with market-leading positions in their industries. The stocks pay attractive distributions that should continue to grow, and the shares trade at reasonable prices in an otherwise expensive market. If you have some cash to put to work, these stocks deserve to be on your TFSA or RRSP radar.

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3. NYSE:TD (The Toronto-Dominion Bank)
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