3 Top Canadian Dividend Stocks to Buy in October 2021

Description

Dividend payments could notably increase shareholder returns in the long term. The **TSX Composite Index** has returned 64% in the last decade, while the **TSX Composite Dividend Index** has returned almost 75%. While dividend stocks are relatively slow moving, it bodes well when uncertainties in the broader markets increase. So, here are some top Canadian stocks to buy for the long term.

Hydro One

Canadian utility stock **Hydro One** (TSX:H) pays a stable dividend yield of 3.5% at the moment. It has regularly increased its dividend since 2016, with an average annual payout ratio of 66%. Interestingly, the company aims to increase its dividend in the long term with its target payout ratio of about 75%.

Utilities can pay a higher portion of their earnings as dividends because of their predictable, regulated nature of business.

Hydro One operates in Ontario, the most populous province in the country. Moreover, it only operates transmission and distribution assets and has no exposure to generation — a differentiating factor from its peers.

Moreover, Hydro One stock does not seem expensive from the valuation standpoint, giving it a decent growth runway. So, safe bets like Hydro One with their stable dividends stand tall in current volatile markets.

Toronto-Dominion Bank

Canadian banks have had a remarkable recovery so far in 2021 from the pandemic dent last year. One bank stock that's notably outperformed the TSX Composite is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). It has returned 40% since last year, with solid earnings recovery in the last two quarters.

Toronto-Dominion Bank reversed its provision for credit losses worth nearly $400 million in the last six months. The bank's bottom line was notably boosted in fiscal 2022. More importantly, the loan book expansion could drive even steeper earnings growth, as the economic recovery gains steam post-pandemic.

Toronto-Dominion Bank is already flush with cash driven by the faster economic recovery. This cash can be returned to shareholders in the form of special dividends or buybacks in the next few quarters, once regulators allow.

TD is the second-biggest bank stock by market cap. It has consistently paid a dividend for the last 164 years and has not decreased it since 1995. So, TD stock is an attractive bet for long-term investors, driven by its scale, strong balance sheet, and decent dividend profile.

TC Energy

Energy pipeline stocks are also relatively safe bets for long-term investors. Consider **TC Energy** (TSX:TRP)(NYSE:TRP). It has returned 135% in the last decade, driven by its stable earnings growth and dividend.

TC Energy is a $60 billion oil and gas pipeline company and does not have significant exposure to energy prices. Apart from the energy infrastructure, it is involved in power generation. So, the company has a stable top line and earnings that facilitate stable shareholder dividends.

TRP stock currently yields 5.6%, notably higher than TSX stocks at large. Notably, it has increased its dividend for the last two decades.

Bottom line

These three TSX stocks are comparatively safe, because of their stable business models and predictable earnings. And that's why their shareholder payouts will likely continue to trend upwards in the long term.

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Date
2025/08/22
Date Created
2021/10/06
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