



## 3 Canadian Dividend Stocks Trading at 52-Week Highs: Time for Caution?

### Description

This is the stock market for you — even quality dividend stocks experience volatility. With the open stock market screaming bid and ask stock prices at investors all the time, it becomes an essential skill for you to ignore the noise and look at the big picture.

Lately, there has been flight to quality. Investors have thrown away shares in certain high-growth stocks like **Lightspeed** and **Docebo** and moved money into safer investments like quality dividend stocks. This phenomenon has pushed the latter group of stocks steadily higher, including dividend stocks like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), **Emera** ([TSX:EMA](#)), and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

I don't think anyone will say I'm wrong if I call these safe dividend stocks. That is, they pay sustainable dividends. In all likelihood, they will pay growing dividends over time.

The observant investor will point out that TD Bank stock, like the other big Canadian bank stocks, froze its dividend for about two years during the pandemic. However, it's important to note that it was not the banks' doing. Rather, it's a protective measure imposed by the regulator, the Office of the Superintendent of Financial Institutions (OSFI). Specifically, during the onset of the pandemic, OSFI tightened restrictions on the federally regulated financial institutions to protect against the heightened economic uncertainty, triggering their dividend freezes.

### Flight to quality dividend stocks

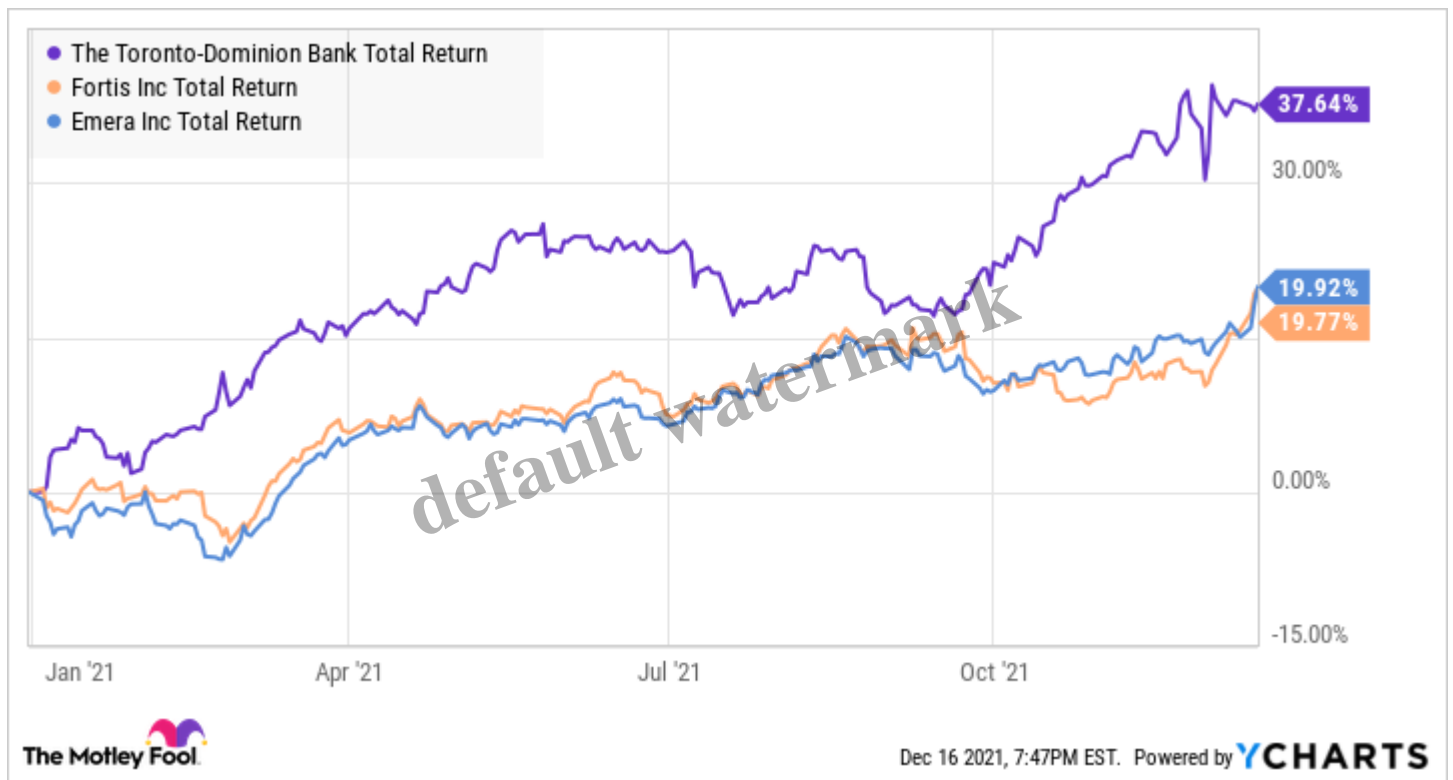
These are three quality dividend stock examples. They are growing their earnings and dividends at single-digit rates over long periods. The compounded growth rate along with their dividends provide respectable total returns to long-term shareholders.

TD stock has compounded its earnings per share by almost 8.8% annually over the last 10 years. In the period, it increased its dividend by 9.2% per year. All the while, it paid a decent dividend. In the last decade, it's yielded between 3-4% most of the time.

Fortis stock increased its earnings per share by close to 5% per year over the last decade. During this time, it increased its dividend by nearly 6% annually and mostly offered a decent dividend yield of 3.3% to 4%.

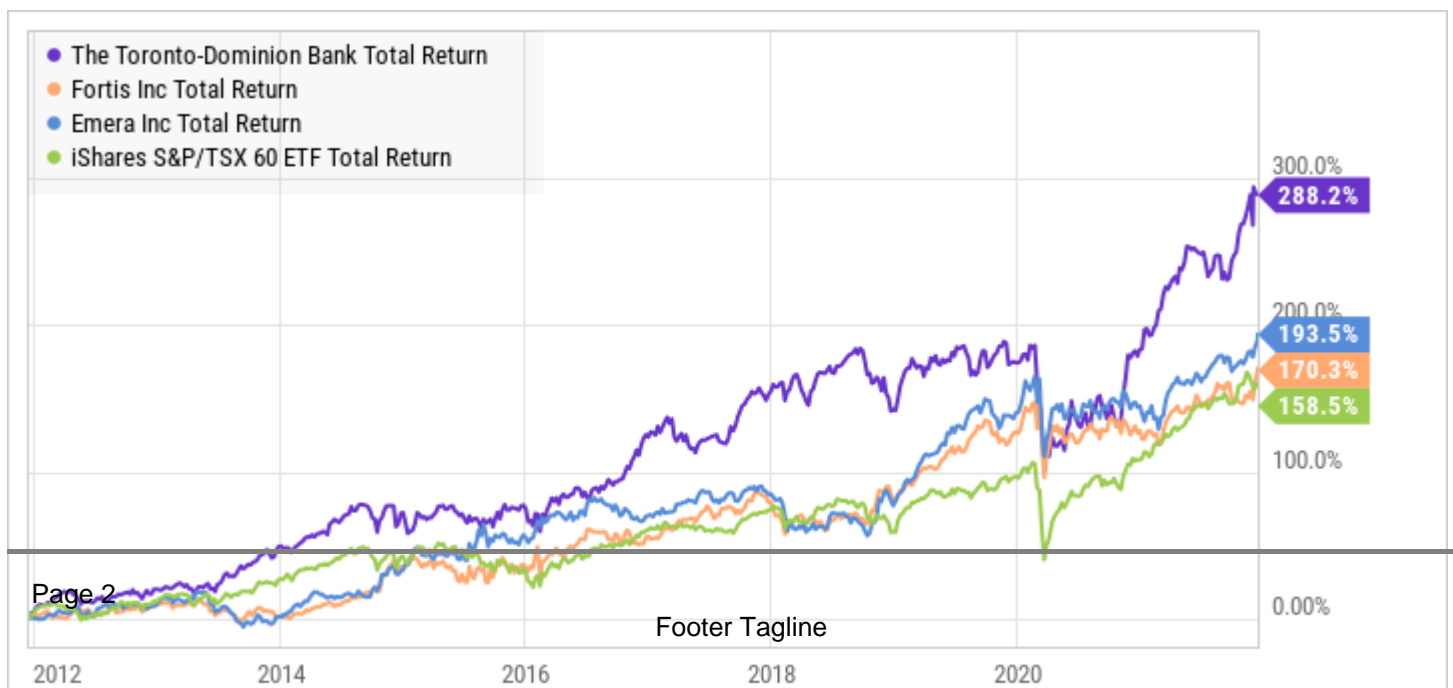
Emera is a regulated utility just like Fortis. So, its results were similar. In the last 10 years, it increased earnings by about 4% per year. However, it increased its dividend by almost 8% per year in this period, as it expanded its payout ratio while growing its earnings. During this time, it mostly offered a juicy dividend yield of 3.8% to 5%.

Here's the year-to-date total returns of the three [dividend stocks](#).



Total Return Level data by YCharts

In the long run, they have exceeded the Canadian stock market benchmark. Here's a comparison of their 10-year total returns.



Total Return Level data by YCharts

TD stock, Fortis, and Emera are now trading at near their 52-week and all-time highs, making them fully valued according to the analyst consensus price targets. This means there's essentially no margin of safety in the stocks.

## What should investors do?

It's time for investors to be cautious. If you hold quality dividend stocks that are fully valued, it doesn't mean it's time to sell them, because they can still deliver satisfactory long-term returns as their stable businesses continue to grow. However, active investors can argue that they can sell and redeploy the proceeds for potentially higher returns in other stocks. It depends on how involved you want to be in managing your stock portfolio.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:EMA (Emera Incorporated)
4. TSX:FTS (Fortis Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

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### Date

2025/09/07

**Date Created**

2021/12/17

**Author**

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