1 Canadian Stock That Pays Growing Dividends

Description

After around two years of excessive buying of speculative growth plays, it seems like investors are finally rotating back into cheap Canadian stocks that pay dividends. Indeed, dividends could be key to keeping one's portfolio above water, as the relentless tides of inflation continue to rise. Undoubtedly, the rate of inflation south of the border has hit the 7% mark.

While the CPI numbers may be nearing a peak, reaching such a level to begin with has already taken a toll on American savers. Undoubtedly, four or five interest rate hikes this year may be what the Fed will have to do to bring inflation back into order. Here in Canada, inflation has been running hot, but not as hot. With the Bank of Canada (BoC) ready to raise by four or so times, inflation could begin to fall back down to Earth. Still, the 2% inflation target will be hard to reach, unless the BoC gets moving, and fast.

What's a great inflation fighter? Think Canadian stocks that pay dividends

In this piece, we'll have a look at two Canadian stocks with handsome, growing dividends that I believe can help ease the pains that could accompany another year of problematic price increases. Enter Canadian banking behemoth **TD Bank** (TSX:TD)(NYSE:TD).

TD Bank: Momentum, value, and dividends all in one Canadian stock

TD Bank stock has been on an incredible run over the past several months. It's the same story with its peers in the Big Six banking basket, though. What separates TD from the pack is its history of prudent practices, both in good times and bad.

Up ahead, one of the best environments for the financials could be in the cards. If rates rise modestly, TD will benefit, as its margins on retail deposits get a bit of a lift. If rates rise much quicker (think five or more times in 2022), TD could easily continue blasting higher. The fundamentals are the best they've been in a while, given the environment ahead. With management looking south of the border for a potential acquisition, I'd argue that TD is incredibly wise to make a deal ahead of what could be a historic bull run for the big banks.

Despite the favourable backdrop, TD stock remains fairly valued at 13.5 times trailing earnings. The multiple is in line with historical averages, but I'd argue it ought to be much higher, given just how favourable the road ahead is looking for the banks.

TD Easy Trade: An intriguing middle ground that could lure in new, young investors

TD has shown it can innovate with a slate of apps and, most recently, its TD Easy Trade service, which aims to do away with trading commissions on the first 50 trades in a given year. While it would have been preferable to scrap commissions altogether on its TD Web Broker platform, it's arguable that Easy Trade is an interesting middle ground. It can lure in young DIY investors, while continuing to rake in considerable sums of commissions from its current clients on Web Broker.

It will be interesting to see what the reaction will be. I think TD will need to sweeten the pot for its TD Direct clients, rather than simply introducing a TD Easy Trade. Why? At the end of the day, commissions are headed to zero. And such a middle ground, I believe, will not last long before TD's peers collectively scrap commissions altogether, with no strings attached.

Bottom line

In any case, TD is on the right track. And the stock is way too cheap. The 3.42% yield is rich and will grow at a solid rate. And if TD doesn't end up pulling the trigger on a deal? Expect more significant dividend raises and buybacks over the coming years.

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