3 of the Best Canadian Dividend Stocks for a Stable Passive Income

Description

You must have heard that stocks underperform during rising inflation. Yeah, that's right! But only to some extent. There are pockets in the financial markets that play well, particularly during an inflationary environment. Here are three such TSX stocks that pay stable dividends and could outperform in the current markets.

Enbridge

Many investors avoid growth stocks because of their high stock price swings. And it is absolutely okay to settle for mediocre returns that do not jeopardize your sleep! One such TSX stock that offers long-term stability is Canadian energy pipeline company **Enbridge** (TSX:ENB)(NYSE:ENB).

Enbridge is a mature company that operates a stable business model. In the last decade, the company's earnings grew by 6% CAGR, lower than some top growth stocks. However, ENB stock showcased much lower volatility and dividends that delivered stable shareholder returns.

Moreover, Enbridge is one of the top dividend-paying companies on the TSX. It currently yields a handsome 6%, the highest among Canadian bigwigs. In addition, Enbridge has increased its dividend for the last 26 consecutive years.

Notably, it will likely keep paying its shareholders in the years to come. Its earnings are more derived by its long-term fixed-fee contracts and throughput volumes than the volatile oil and gas prices. As a result, the management gets a reasonable earnings visibility that facilitates stable dividends.

Intact Financial

Another appealing pick for conservative investors is Canadian insurance giant **Intact Financial** (TSX:IFC). It is a $33 billion property and casualty insurer in Canada with a leading 21% market share. The stock currently yields 2.2%, lower than TSX stocks at large. Though the yield is not that attractive, Intact has delivered market-beating returns in the long term.

Despite being in a relatively uncertain sector, Intact Financial has showcased superior financial growth. In the last decade, its revenues grew by 10% CAGR, while the net income increased by 16% CAGR. As a result, IFC stock returned almost 300% in the same period, notably beating the **TSX Composite Index**.

Importantly, Intact will likely continue to grow steadily, mainly because of its leading market share and scale. In addition, its in-house underwriting and expansion of distribution channels should also bode well for its earnings growth in the long term.

Hydro One

Utility stocks could be attractive hedges during high market volatility. As the Russia-Ukraine war brought in a fresh streak of uncertainties to economic growth, financial markets tumbled since late February. However, utility stocks have been on the rise, as investors turned to these safe havens in search of dividends. One such TSX stock that has been rising is **Hydro One** (TSX:H).

It is a $19.5 billion utility that operates in Ontario, Canada's most populous province. Hydro One differentiates from peers in terms of its assets. It operates electrical transmission and distribution assets with no exposure to power generation. That means relatively lower capex requirements and more stability to business.

Hydro One stock currently yields 3.3%. It aims to pay 70-80% of its earnings to shareholders in the form of dividends.

Notably, utility stocks are perceived as safe havens, because of their slow-moving stocks and predictable dividends. Even if the broader economy takes an ugly turn, stocks like Hydro One keep delivering stable shareholder returns, driven by their stable cash flows.

CATEGORY

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2. TSX:ENB (Enbridge Inc.)
3. TSX:H (Hydro One Limited)
4. TSX:IFC (Intact Financial Corporation)

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