How to Tackle Market Volatility: 3 Top Canadian Dividend Stocks to Buy

Description

As there are cuisines in a restaurant for varied taste palates, markets have stocks as per your risk and reward requirements. Thus, one has to figure out their risk profile and return characteristics. Though it sounds simple, many times, it's not! So, here are three top TSX stocks with relatively low risk and average return prospects.

These three might not make you a millionaire in a few years, but they should help you reap above-average returns over the long term.

Canadian Natural Resources

Canada's biggest **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) is one of my top picks from the energy sector.

CNQ stock yields a handsome 3.7% and will pay $3 per share this year. The stock has almost doubled since last year, notably delighting energy investors.

Crude oil prices have rallied 65% since last year, which has been reflected in energy companies' earnings. Canadian Natural covers its operating costs as well as dividends at close to US$40 a barrel. So, current oil prices around US$110 levels make a case for strong free cash flow growth.

The excess cash will likely go to debt repayments and shareholder dividends. As a result, earnings expansion and improving balance sheet strength could send CNQ stock higher.

Some investors were disappointed when CNQ did not increase its dividend, despite superior financial growth in Q1 2022. However, the management is rightly focusing on reaching more comfortable leverage levels before increasing shareholder payouts. So, investors can expect meaningful value unlocking, as the balance sheet becomes lighter and oil prices rally.

Pembina Pipeline

Energy pipeline stocks have been on the rise, driven by the overall positive sentiment for the sector. As a result, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) stock has returned 35% since last year.

Energy infrastructure companies like Pembina charge fees for transporting energy commodities from producers to refiners. Their network and scale play an important role in driving growth and shareholder returns.

Pembina has a stable earnings profile, which facilitates stable dividends. It currently yields 5% and pays monthly dividends.

Emera

Investors perceive utility stocks as safe havens, as they pay regular dividends and are less volatile than broader markets. These stocks are more effective in volatile markets when the broader outlook is not so optimistic. So, investors can consider Canadian utility stock **Emera** (TSX:EMA) for the long term.

Emera is a $16.5 billion utility that serves 2.5 million customers in Canada, the U.S. and the Caribbean. It has returned 15% in the last 12 months, notably beating broader markets. In the long term as well, EMA stock has outperformed, returning 200% in the previous 10 years.

Emera generates a large portion of its earnings from regulated operations, facilitating earnings and dividend stability. The stock yields 4.2% at the moment, higher than TSX stocks at large.

TSX utility stocks like EMA have been riding higher, especially amid the war in Europe since late February. They will likely move higher if the situation on the geopolitical front deteriorates. So, Emera seems like a decent option if you are looking for average returns with relatively lower risk.

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