Sitting on Cash? Top TSX Dividend Stocks for Stable Income

Description

Investors are hoarding more cash than ever, as stagflation worries mount. According to a Bank of America fund manager survey, investors are allocating more towards cash, as the global growth outlook looks uncertain, indicating a growing bearish sentiment.

Notably, it makes sense to some extent to stay out of the market amid uncertainties. However, not all stocks decline in weaker markets. Some stocks and sectors are rather made for bearish markets, where participants could effectively park their cash in. They are called “defensives” and have less correlation with broader markets.

Let’s take a look at three such top TSX stocks that have shown resilience in the past. Investors can consider putting their idle cash with these names. Their stable capital growth and regular dividends will help them outperform broader markets.

Fortis

Utilities are classic safe havens, because of their earnings and dividend stability. Canada’s top utility stock **Fortis** (TSX:FTS)(NYSE:FTS) offers a low-risk, moderate return potential.

Utilities like Fortis provide services that are not related to economic cycles. So, even if there is a recession or economic growth, they keep growing steadily. In addition, Fortis makes almost entire of its profits from regulated operations, enabling financial visibility.

Fortis stock has returned nearly 20% in the last 12 months, notably beating the **TSX Composite Index** . It currently yields a decent 3.5%.

Interestingly, safe havens like Fortis will come under the limelight if markets turn ugly from here. Its slow-moving stock and dividends will be doubly precious in those uncertain times.

Enbridge

Though they belong to different sectors, Fortis and **Enbridge** (TSX:ENB)(NYSE:ENB) have several things in common. Like FTS, Enbridge offers handsome dividends and has a fair earnings visibility. Also, ENB stock does not move too much on volatile oil and gas prices. Thus, ENB also offers decent return prospects with relatively low risk.

Enbridge has grown its net income by 18% CAGR in the last 10 years. ENB stock has returned 155% in the same period, notably outperforming TSX stocks.

Through the pandemic or even during the 2008 financial meltdown, Enbridge kept increasing shareholder dividends. That indicates management's confidence in its earnings and a balance sheet strength. So, if you are looking for a stable passive income with low risk, ENB could be an apt bet.

Tourmaline Oil

The one place where dividends are raining this year is the Canadian energy sector. Driven by higher oil and gas prices, energy producers are flush with cash of late. Canada's leading gas producer **Tourmaline Oil** (TSX:TOU) is one of them.

Tourmaline paid a dividend of $1.42 per share in 2021. It will likely pay $3.55 per share in 2022, including specials, implying a forward dividend yield of 4.8%. Note that the yield looks superior, as it includes a special dividend.

Notably, TOU stock has created massive wealth for shareholders in the last few years. Its free cash flow growth and margin expansion cheered investors since the pandemic. As a result, the stock has soared 700% since mid-2020 and 150% since last year.

As natural gas prices remain elevated, Tourmaline Oil could see continued strength in its stock price. Moreover, given its improving balance sheet strength and rapidly expanding earnings, the possibility of another special dividend can't be ruled out.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TOU (Tourmaline Oil Corp.)

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