TFSA Investors: Top TSX Stocks to Buy Amid Volatile Markets

Description

While markets have recovered from the lows, recession rhetoric has also gained steam in the last few weeks. Perhaps, mounting inflation, aggravated by fast-rising oil and gas prices, could make the situation far worse. So, how the market plays out from here will be interesting to see — especially when interest rates are rising rapidly and the global growth outlook is weakening, we might see even higher stock volatility.

So, how could investors play amid these uncertain markets?

It is not advisable to stay away from the markets because of the volatility. Stocks come with an inherent risk of volatility. And that is why investing in stocks is not about totally eliminating the risk but managing it. When you are investing for a longer-term, volatility risk gets balanced out.

In the form of a Tax-Free Savings Account (TFSA), Canadian investors have a very beneficial tool that simplifies long-term investing. The TFSA contribution limit for the current year is $6,000, while the accumulated limit extends to $81,500.

If you have not contributed to your TFSA so far in 2022, consider these names. The capital gains and dividends generated within the TFSA will be tax-free throughout the holding period.

Investors focus way too much on growth while picking stocks. And you should note that when the focus is on growth, it ultimately involves taking an above-average risk. What could be a more moderate approach to tackle long-term investing is to pick recession-resilient, dividend-paying stocks.

2 top TSX stocks for TFSA investors

For example, consider Canada's top utility stock **Fortis** (TSX:FTS)(NYSE:FTS). It has seen multiple recessions and market crashes in the last several decades. But the company managed to keep up with its dividend increase. Among TSX stocks, Fortis has the second-longest dividend-increase streak with 48 consecutive years. Notably, FTS stock returned 11% per year on average in the last decade, while TSX stocks on average returned 6%.

How does a slow-moving stock like FTS manage the feat?

Though utility stocks are slow-moving, their consistently increasing dividends significantly contribute to the total shareholder returns. Also, utilities have low-risk, recession-resilient operations that enable earnings stability almost in all kinds of markets. So, even if our economy takes an ugly turn from here, FTS stock might see a little impact, and its dividends will likely keep growing.

BCE (TSX:BCE)(NYSE:BCE) is another such stock in Canadian markets. Like utilities, telecom companies also have a reasonable earnings stability. So, business cycles do not generally determine their growth. BCE pays stable a dividend and yields a decent 5.3% at the moment. Moreover, it has returned 11% annually on average in the last decade.

Interestingly, BCE looks well placed to play the upcoming 5G rally. Its large subscriber base and strong balance sheet could stand tall in the industry. In addition, it has invested big in network improvements and 5G expansion in the last few years. So, BCE and investors might reap significant benefits in the next few years.

Bottom line

So, in a nutshell, chasing high-growth stocks might not be prudent for all types of investors. However, even if you are an aggressive investor, it makes sense to have some exposure to defensive stocks like BCE or Fortis. They might lag growth stocks during bull markets, but they play well when uncertainties in broader markets increase.

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