Stock Market Correction: Here's Where Beginners Can Invest $5,000

Description

2022 is a difficult year for investors. The stock market has recently dipped into a bear market. Year to date, the S&P/TSX Composite Index is down 6%. This correction has been painful for shareholders but could be an ideal opportunity for beginners.

Beaten-down stocks and lower valuations in these market conditions are ideal for first-time investors. If you have some cash (perhaps $5,000) and are looking to get started, here are the top three stocks that should be on your radar this year.

Oil stock

Oil and gas stocks have held up better than the rest of the stock market. The energy sector has added market value, even as the rest of the market collapses. If you're worried about the energy crisis persisting, you should add some exposure to this sector.

Enbridge (TSX:ENB)(NYSE:ENB) is a top pick. That's because it's an energy *transportation* company, not a producer. Producer stocks are highly volatile and correlated with the market price of oil and gas. Enbridge, meanwhile, is correlated with energy volume. The more oil and gas that flows across North America, the higher its earnings.

The flow of energy is expected to keep steadily rising. U.S. shale and Canadian oil sands have boosted production, while exports to Europe have surged because of the conflict. This means Enbridge is in a strong position to sustain or even expand its 6% dividend yield. That's why it deserves a spot on your watch list.

Dividend stock

Companies with steady cash flows and reliable payouts perform better during corrections. **BCE** (TSX:BCE)(NYSE:BCE) is an excellent example of this. The stock is down just 4% year to date, outperforming the rest of the market. This performance is even more impressive when you consider

BCE's dividend yield: 5.7%.

BCE pays a higher dividend than most oil and gas stocks. The trailing dividend yield of **iShares S&P/TSX Capped Energy Index ETF** is just 1.17%. BCE's earnings are also much more stable. The cost of phone calls and broadband is remarkably steady, regardless of economic conditions.

BCE's investments in 5G and network expansion could cement its market dominance. That's why it's an ideal target for investors seeking passive income during this correction.

Growth stock

Tech and growth stocks have been punished more than any other sector of the market. **iShares S&P/TSX Capped Information Tech Index ETF** is down a whopping 39% year to date.

This correction has made some high-quality tech stocks much more attractive. **Constellation Software** (TSX:CSU) is probably a good example. The enterprise software giant has executed a growth-via-acquisition strategy with incredible results. Since 2006, the stock is up 10,000%. This year, it's down 19%.

This year, the company is on track to generate over $1.3 billion in free cash flow (FCF) to shareholders. That means the stock is trading at roughly 30 times FCF per share. If the company can sustain its double-digit growth rate and torrid pace of acquisitions, it could be one of the best opportunities in 2022.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:CSU (Constellation Software Inc.)
5. TSX:ENB (Enbridge Inc.)

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