My 3 Favourite TSX Stocks Right Now

Description

Here are my three favourite **TSX** stocks right now. One offers above-average growth; another provides a massive dividend; and the third has a mix of both!

Brookfield Asset Management

If there's only one TSX stock I'm buying in this market correction, it's **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). It hardly ever goes on sale. And it's a bargain now. Analysts believe the top-notch business is undervalued by about 35%. Consequently, it has a whopping near-term upside potential of 55%.

The global alternative asset management company has transformed for the better for over a century. It began as an owner and operator of businesses before providing asset management services for third parties. Because it operated businesses very well and an incredible value investor of quality assets, institutional and retail investors alike kept coming back for more. BAM targets a long-term return of 12-15% on its investments, which most investors can not claim to have achieved for the long haul.

Buying BAM at bargain prices (such as now) is a smart move. I don't know how low the growth stock would go, but I'd be accumulating this favourite stock of mine over time in this market decline. There's no question about it!

Aecon Group

I love getting paid to wait. Getting safe and decent-yield dividends regularly is also a relatively low-risk way for investors to invest. **Aecon Group** (TSX:ARE) offers a generous dividend yield of close to 5.9%. The company has a big buffer that could cover close to 10 years of dividends from its reserve of retained earnings.

Aecon is a cyclical stock. Investors can tell by identifying its roller coaster like earnings and stock price. It constructs and develops infrastructure. In an economic expansion, there would be an abundance of infrastructure projects.

In a high-inflation, rising interest rate, and liquidity-tightening environment, we'd see the opposite with projects becoming costlier because of higher basic material costs for example. As proof, its gross profit margin dropped from 10.6% in the normalized 2019 levels to 8.8% in the trailing 12 months (TTM). Management has been stepping on it in controlling operating costs though — its 2019 operating expense was 8% of revenue versus the TTM's 6.6%.

After falling more than 40% from its 52-week high, Aecon stock is closer to a cyclical low than high. Analysts believe the dividend stock is discounted by about 35% or near-term upside potential of 53%.

TD Bank stock

No one can resist having a solid bank stock as a core dividend holding in their diversified investment portfolio. Why? They provide long-term stability, predictability, and growth. Particularly, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is a relatively defensive bank to buy in a looming recession because of its focus on lower-risk retail banking in Canada and the United States.

TD stock offers a competitive dividend yield of just over 4.3% at writing. Moreover, the top North American bank has a medium-term goal to grow its adjusted earnings per share by 7-10% per year. In addition, analysts believe the dividend stock is discounted by about 12%.

Assuming no valuation expansion, a 4.3% dividend, and a 7% growth rate, buyers today can lock in solid long-term returns of about 11% per year, which is attractive for a low-risk dividend investment!

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ARE (Aecon Group Inc.)
4. TSX:BN (Brookfield)
5. TSX:TD (The Toronto-Dominion Bank)

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