My 3 Favourite TSX Dividend Stocks Right Now

Description

Dividend investing is one of the most underrated strategies out there. Not just because of the recession prospects, investors should consider stocks that consistently increase their dividends. They offer attractive risk-return prospects and outperform broader markets in the long term. Here are some of those TSX stocks.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of Canada's top utility stocks. It currently yields 3.5%, which is in line with TSX stocks. Though the yield is not that superior, its long payment history and stability stand out in the broader markets.

Fortis generates almost entire of its earnings from stable, rate-regulated operations. As a result, fair visibility of its earnings enables stable dividends. Fortis has increased its dividend for the last 48 consecutive years. Even if a recession hits in the next 12 months or so, stocks like FTS will likely stay resilient. It will likely keep growing at a stable pace and continue to pay rising dividends.

FTS stock has returned 11% CAGR, including dividends, in the last 10 years. In comparison, the **TSX Composite Index** has returned 5% in the same period.

Defensive stocks like utilities have been at the centre stage, as recession rhetoric has gained ground over the last few weeks. Investors prefer stable income and less-volatile stocks during bear markets. Thus, FTS will likely see investor interest as broader markets turn more uncertain.

BCE

Telecom giant **BCE** (TSX:BCE)(NYSE:BCE) is another attractive defensive bet to tackle uncertain markets. It yields 6% at the moment — way higher than TSX stocks.

Like utilities, telecom companies also see stable earnings growth, irrespective of the economic cycles.

Thus, stocks like BCE are also perceived as defensives. BCE's net income has grown by roughly 3% on average in the last 10 years, much lower than fast-growing tech stocks. But it has returned 10% CAGR in the last decade, notably beating broader markets.

Interestingly, BCE will likely see superior growth, as 5G drives the paradigm shift in the telecom sector in the next few years. It has the second-biggest subscriber base in the country and also boasts a solid balance sheet. Thus, it seems relatively well placed to up the capex game in the 5G race compared to peers.

BCE stock has fallen 13% in the last three months. The stock could change course due to its defensive appeal, steep recent correction, and growing recession fears.

Suncor Energy

Although energy stocks have dropped like a rock since last month, they are still at a handsome gain for the year. **Suncor Energy** (TSX:SU)(NYSE:SU), Canada's largest oil sands player, has lost 25% since June. It is sitting at a 20% gain for the year.

Suncor Energy saw steep free cash flow growth in the last few quarters — of which, a large chunk went to deleveraging. This ultimately improved its balance sheet strength and even allowed it to reward shareholders. Thus, Suncor Energy has increased its dividend twice since Q4 2021. It will pay a dividend of $1.9 per share, indicating a yield of 5%.

Notably, we might see more dividend hikes from Suncor thanks to strong Q2 earnings-growth prospects. Its undervalued stock, stable dividends, and recovering oil prices could continue to drive SU stock higher.

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