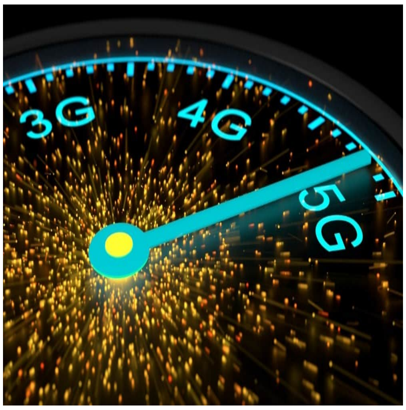

TFSA Investors: 2 Canadian Stocks With Unbelievable Staying Power

Description

Rising interest rates and inflation have created fears of a recession. A recession creates a financial and economic toll on everyone from individuals to companies, making investors risk-averse. Thus, most investors cash out from the stock market and hoard cash.

Many high-debt companies dissolve, get acquired, or go bankrupt in a recession. But there are some too-big-to-fail companies that absorb recession shocks and emerge bigger and stronger. This is the time to buy stocks in such companies through the Tax-Free Savings Account (TFSA). Let's focus in on two Canadian stocks that are here to stay.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD), among the Big Six Canadian banks, has been doing business for 67 years. It has divided its business into three segments, Canadian banking (commercial and retail), U.S. Banking, and wealth management services. The bank is acquiring Cowen to enhance TD Securities' growth.

Rising interest rates are making borrowing costly but encouraging deposits among investors. TD Bank's second quarter deposits in the United States and loans in Canada increased compared to the second quarters of 2021 and 2020. It has a strong mix of deposits and loans and has steadily decreased provisions for losses since the pandemic. But the rising economic uncertainty could increase these provisions if the credit conditions deteriorate.

TD Bank's strong financial position will help it sustain a recession and grow in the recovery phase. This strength is behind the stock's long-term rally. Time and again, TD has dipped and recovered from an economic crisis. It fell 20% in the April 2022 downturn when the central bank increased interest rates.

If you look at the stock's historical performance, TD surged 145% through nine years of economic growth (August 2009–August 2018). If you had invested in the April 2009 recession, your returns would have increased 208% in those nine years. A five-month delay reduced returns by over 60%. The right way to invest in this stock is to regularly invest small amounts throughout the downturn. This way, you can reduce your cost per share and lock in a 4.28% annual dividend yield. When the economy recovers, the stock could also give you capital appreciation.

BCE stock

BCE's (TSX:BCE)(NYSE:BCE) history dates back to 1880 when Bell Telephone Company of Canada was created by an act of Parliament. Over the years, it has transformed with technological upgrades. Today, Bell Canada is the largest telecom company in Canada and leading the 5G space. The fifth generation of wireless communications brings low latency, and broadband-level speed to edge devices, creating a foundation for smart cities and automated vehicles.

BCE's second-quarter earnings showed the impact of 5G on earnings. Its adjusted EBITDA margin improved to 44.2% from 43.5% in the second quarter of 2021 as operating revenue surged by 2.9% to $5.9 billion. The accelerating margin is thanks to higher average revenue per unit (ARPU) from wireless subscribers.

BCE has been paying dividends for more than 40 years and growing them steadily for over 12 years. It has a manageable net debt leverage ratio of 3.1x, which shows it has three times the operating income to pay interest expenses. Strong growth in mobile phone subscriber and retail internet activations is already rewarding BCE for its investments in 5G. The resulting cash flow from subscriptions would help it service debt and grow dividends in the future. BCE has stayed ahead in the technology race. The 5G adoption could keep the cash flowing for the next decade before another technology upgrade.

BCE stock grew 120% during the 4G and 4G long-term evolution (LTE) rollouts from January 2010 to January 2020 (Fourth-generation wireless communication technology facilitated video calling and live streaming by offering high upload and download speeds.). The 5G evolution is several times bigger than 4G. The stock has corrected 13.7% from its inflated price and is offering an annual dividend yield of 5.7%.

CATEGORY

1. Bank Stocks
2. Investing
3. Tech Stocks

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2. NYSE:TD (The Toronto-Dominion Bank)
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