Got $4,000? 4 Simple TSX Stocks to Buy Right Now

Description

The stock market started showing signs of optimism towards July-end as preliminary data suggested that inflation is easing. Before July, the inflation rate kept accelerating each month, doubling from 4.1% in August 2021 to 8.1% in June 2022. As a result, the Bank of Canada hiked interest rates from April onwards to ease inflation.

In July, U.S. inflation eased to 8.5% from 9.1%, hinting that interest rate hikes are successfully controlling inflation. This could mean that the Federal Reserve will slow its interest rate hikes and the Bank of Canada could follow.

Amid this optimism, two unstable variables could create supply shocks. If Russia stops natural gas supply to Europe, natural gas stocks could get a boost. If the China-Taiwan conflict aggravates, it could cause a long-term chip supply crunch and drive hardware stocks.

Four simple stocks to buy now

Amid uncertainty across a few sectors, four simple stocks are a good buy at the dip because they can grow significantly in an economic recovery.

- **BMO Equal Weight Banks Index ETF** (TSX:ZEB)
- **RioCan REIT** (TSX:REI-UN)
- **True North Commercial REIT** (TSX:TNT.UN)
- **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN)

Bank ETF

The Canadian economy and the Big Six Canadian banks go hand in hand. Rising interest rates pulled down bank stocks as loans became expensive and economic activity slowed. The BMO Equal Weight Banks Index ETF fell 16% since the interest rate hike began in March. If interest rates start easing, fears of a deteriorating credit environment will ease, and bank stocks could grow with the market.

The ZEB ETF has equal holdings in all Big Six Canadian banks and pays a healthy annual dividend yield of 4.09%. Buying an individual bank stock can be expensive and risky. This ETF will grow with the economy, shield you from highly volatile energy and tech sectors, and pay you monthly dividends for a 0.28% management expense ratio.

Although the ETF is trading closer to its 52-week low, it's still up 32% from the 2017 level. This indicates that the banking sector is in a long-term uptrend despite the economic crisis. If you invest $1,000 in this ETF, you will get $40 each year in dividends and a 14-18% capital appreciation as the economy rebounds.

REITs

To further diversify your portfolio as the economy recovers, there's real estate, which dipped as rising interest rates reduced property values. Most REIT trading prices fell in line with their property value. However, they posted strong earnings because of higher rent renewal caused by rising inflation. RioCan REIT's second quarter occupancy rate improved to 97.2% as retailers reopened their stores. Its rent from new and renewed leases almost doubled to 10.5% from 5.4% in the second quarter of 2021.

Despite growth in rental income, RioCan's trading price is down 5% in a year and 21% from the pre-pandemic level. It didn't fully recover as it cut distributions during the pandemic. But the dip has created an opportunity to lock in a healthy 4.85% annual yield. This time, RioCan is unlikely to cut distributions because it has reduced its payout ratio to 57%. This means it pays 57% of its cash flow as distributions and has the flexibility to continue paying distributions even if its cash flow falls by the double-digits.

True North Commercial REIT is another good option as it provides you with exposure to office rents and has a distribution yield of 9.2%. It's a smaller REIT with just 46 properties, and its stock price is down 11.5% from its March high. That's because the fair market value of its investment properties fell.

This combination of retail and commercial REITs can help you lock in a higher distribution yield and a double-digit capital appreciation during the economic recovery.

A utility stock to consider

Algonquin Power & Utilities is a utility stock to buy ahead of winter as it grows 10-12% between October and February. It's not significantly affected by oil prices because it generates power from solar, wind, natural gas, and hydro. Higher electricity demand drives its stock price, whereas regular utility bill payments allow it to pay a juicy 5.07% annual dividend yield. It's also worth noting that this Canadian Dividend Aristocrat has raised its dividends for the past 12 consecutive years at a compound annual growth rate (CAGR) of over 10%.

Big things are in store for this utility company going forward as it plans to invest roughly US$12.4 billion from 2022 to 2026 which will include strategic acquisitions. As a result, company management expects adjusted earnings per share (EPS) to grow at an annualized rate of 7-9%.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)
5. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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pujatayal