Canadian Investors: Why Slower-Growth Stocks Are Some of the Best to Buy Now

Description

As the market continues to struggle in 2022, and as many of the same economic issues continue to persist, Canadian investors have understandably found it difficult to pick out top-notch growth stocks to buy in this environment.

Whenever the market experiences significant volatility, and particularly when there are fears of a recession on the horizon, higher-growth stocks are often some of the worst performers.

This is due to the fact that these stocks often trade with sky-high valuations. In addition, though, the majority of high-growth stocks are in industries that are being most affected right now.

However, slower and more consistent growth stocks are typically businesses that operate in more defensive industries.

So, although in bull markets, you'll want to be in the best and fastest-growing stocks, today, it's far better to be invested in the safest and most defensive companies.

These slower-growth stocks and more defensive companies will hold value better in bear markets and should continue to see their business operations grow. Furthermore, the dividends they provide may be some of the only income that investors see while the rest of the market is selling off and losing value.

So, if you're looking for top stocks to buy now, here is an example of a slower-growth stock that can help protect your capital and earn you attractive passive income while the highly uncertain economic environment persists.

Why this slower-growth utility stock is one of the best to buy now

Anytime the economy is facing headwinds, or the market is starting to sell off, utility stocks are typically some of the best-performing businesses. These ultra-safe companies underperform during bull markets when faster growth stocks are more in favour. However, when investors are worried about the future and looking to add stability, utility stocks quickly become some of the best growth stocks you can buy.

The reason why utility stocks like **Emera** (TSX:EMA), for example, are so reliable is that their operations are essential to our economy. In addition, though, the industry is also regulated by governments, which allows these stocks to better predict how quickly they can grow their operations and, consequently, their income.

For example, at the moment, Emera is in the midst of a three-year capital plan where the company will invest between $8.9 and $9.4 billion to improve and grow its operations. And that growth plan is expected to allow Emera to grow its rate base by 7-8% annually through 2024. It will also allow the company to continue increasing its dividend, which is why it's one of the top growth stocks to buy now.

The reason that Emera can continue to grow through this environment and predict its growth so well is that it already knows the return on equity that it can earn as it invests in growing its utility operations. Furthermore, recession or not, electricity and gas services are essential for both its residential and commercial customers.

Therefore, while companies that sell discretionary goods or services may be impacted severely by inflation or a recession, safer businesses and slower-growth stocks, like Emera, can continue to grow their operations and plan for the long haul.

Bottom line

Therefore, while the market faces heavy uncertainty and stocks across the board continue to lose value, finding a safe and reliable stock like Emera, which can still offer attractive long-term growth, will be one of the best stocks you can buy today.

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