3 Canadian Stocks I'm Buying in This Volatile Market

Description

Financial market volatility is inevitable, with so many macro factors and events out there. For example, yesterday, the Bank of Canada raised the benchmark interest rate again by 0.75% for a total increase of 3% so far this year to 3.25%. Initially, the stock market dipped, but it ended up being positive for the day.

This is the fifth interest rate hike this year. And the Bank of Canada hinted that more hikes will come, as inflation remains high. July's inflation rose 7.6% year over year. This was well above the central bank's target of 1-3%.

Normal stock market volatility is 1-3% in a day. However, individual stocks can make much bigger moves than that. Here are three Canadian stocks that I'm buying in this volatile market should they fall to attractive levels.

Bank stocks

Big Canadian bank stocks are getting attractive. They make billions of dollars each year and continue to pay out safe dividends through economic cycles.

Particularly, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) offers the largest yield of the Big Six Canadian bank stocks. This also implies that the market is most pessimistic about its outlook. The bank has close to 40% revenue exposure to international operations, primarily in Latin America, where there's a higher risk of bad loans expected on a weaker economic outlook.

That said, BNS stock has compounded its earnings per share (EPS) at a stable rate of 5.3% annually over the past decade. It's likely to continue increasing its profits with stable growth in the long run. At writing, it offers an absolutely attractive dividend yield of 5.8%. Assuming it can grow its EPS in the long run by 5% annually, investors can expect total returns to be about 11% per year.

Valuation expansion would drive even higher returns. At $70.91 per share, it trades at about 8.4 times earnings — a decent discount of about 25% from its long-term normal valuation.

Telecom stocks

Big Canadian telecom stocks are typically more stable than the average stock because of their stable earnings and safe dividends. Currently, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) appears to be the cheapest of the Big Three Canadian telecoms. The company lost some credibility due to an outage in July that caused its internet and wireless phone services to be unavailable for most, if not all, of its customers.

Canadians are likely to forget about this incident in time, and the stock will recover eventually. At about $55 per share at writing, the dividend stock trades at close to 15 times earnings and offers a yield of 3.6%. Its trailing 12-month payout ratio is sustainable at 60%.

Utility stocks

Utility stocks aren't cheap right now, but predictable utilities like **Fortis** (TSX:FTS)(NYSE:FTS) reside in many investors' portfolios for reliable dividend income. Through 2026, it's set to increase its rate base at a compound annual growth rate of about 6%, which will help support dividend growth of about 6% annually through 2025.

Right now, analysts think the regulated utility is fairly valued at $58.76 per share at writing. Fortis stock also offers a safe yield of 3.6%. Notably, also, Fortis stock's usual schedule of increasing its dividend is later this month. So, its forward yield should be just over 3.8%, which makes it a tad more compelling as a passive-income investment.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:RCI (Rogers Communications Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:FTS (Fortis Inc.)
6. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn

5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/12
Date Created
2022/09/08
Author
kayng