My 3 Favourite U.S. Stocks to Buy Right Now

Description

Canadian investors should consider diversifying their investment and risk in U.S. stocks. Here are a few of my favourite U.S. stocks to buy right now.

Amazon stock

Many growth stocks are not available in the Canadian stock market. For example, **Amazon** (NASDAQ:AMZN) is a great buy now. Its valuation has come down in this rising interest rate environment that's weighing on growth stock valuations.

Amazon maintains a dominant position in e-commerce and cloud services. Its Prime membership encourages consumer loyalty and increased sales for its marketplace. In its second-quarter (Q2) press release, Amazon highlighted this:

> "Prime members worldwide shopped more and saved more this Prime Day than any other Prime Day event, purchasing more than 300 million items and saving more than US$1.7 billion. On July 12 and July 13, Prime members worldwide purchased more than 100,000 items per minute…
>
> …In the U.S., Amazon introduced new offers for Prime members, including a free one-year Grubhub+ membership, a new year-round 20% discount on select everyday essentials at Amazon Fresh stores…"

The growth stock continues to generate significant cash flow, which will grow in the long run. The undervalued stock could be a winner that can double investors' money over the next three to five years.

Johnson & Johnson stock

If you're not interested in growth stocks right now, you could consider diversifying into defensive blue-chip dividend stocks like **Johnson & Johnson** (NYSE:JNJ). Healthcare stocks that pay good dividends are rare on the **TSX**.

The long history, diversified business, and track record of dividend increases of J&J should give investors confidence. The AAA-rated, low-risk stock is a stable compounder of investors' money.

In the last 10 years, it delivered annualized total returns of 12.32%. That equates to growing an initial investment of $10,000 into $31,970. Dividends contributed to almost a quarter of total returns in the period.

For its stability and track record, J&J stock is reasonably valued at about 16.6 times earnings. It offers an initial yield of 2.7% today. Notably, the company is in the midst of spinning off its consumer health segment, which it aims to complete between May and November of 2023.

Comcast stock

If you're looking for greater value, you might turn your attention to **Comcast** (NASDAQ:CMCS.A) stock. It has sold off significantly and is now trading at levels close to its 2020 pandemic market crash low! Increased competition and rising interest rates are some reasons weighing on the stock.

It is a debt-heavy stock. At the end of Q2, it had net debt of US$167.1 billion. And its debt-to-equity ratio was 1.9 times.

That said, it's also a cash-cow business that generates substantial cash flows. Even after capital investments, it still had close to US$15 billion of free cash flow in the trailing 12 months, equating to a 31% payout ratio that supported a healthy and growing dividend.

At the recent quotation of US$35.69 per share, Comcast traded at about 10.3 times earnings. The dividend stock is undervalued for its anticipated earnings-per-share growth of 8-10% annually over the next few years. It also yields about 3.0%.

Income tax on U.S. stocks

Capital gains are favourably taxed for Canadian investors. Only half of booked capital gains will be taxed at your marginal rate. This tax can be avoided if your shares are held in registered accounts. You'd also ultimately pay your marginal tax rate on received U.S. dividends. You can get full U.S. dividends inside your RRSP/RRIF.

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TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)

2. NASDAQ:CMCS.A (Comcast Corporation)
3. NYSE:JNJ (Johnson & Johnson)

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