3 of the Safest TSX Stocks Right Now

Description

Are you looking for safe stocks to ride out the stock market volatility?

If so, you're probably making a wise move. Interest rates are rising rapidly this year, and that's making risky assets (e.g., tech stocks and crypto) undesirable. The higher interest rates go, the more return you can get "risk free." That makes taking risks less sensible and causes investors to demand lower prices on risky assets.

Sometimes, when interest rates go very high, institutions put all of their money in treasuries (i.e., government debt). For retail investors, the closest comparable strategy is to invest in money market funds (funds of treasuries) or GICs (bank-issued bonds whose yields are similar to treasuries). The very safest strategy is to invest in GICs and broad-market index funds. If you're more interested in buying individual stocks, then read on, because in this article, I will explore three of the safest TSX stocks right now.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility with a 48-year track record of increasing its dividends. It has delivered decent growth over the last decade, growing its earnings from $363 million to $1 billion. Over 90% of Fortis's business is regulated, which creates barriers to entry that protect the company.

Government regulations make it harder for new companies to enter a business, protecting the incumbent players — Fortis and other utilities benefit from this. Additionally, Fortis's services are indispensable. It's mainly in the business of providing electricity, a service that is generally locked in in long-term contracts, so the revenue keeps coming in, even during recessions. People might cut down on heat and light usage in a recession, but they won't cut it out entirely.

Most of these points apply to all utilities, not just Fortis, but note the growth track record I mentioned: Fortis has nearly tripled its earnings over the last decade. Not all utilities are growing so rapidly.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a Canadian asset management company that has performed very well over the last decade. Since 2012, the company has

- Grown its revenue by 340%;
- Grown its earnings by 180%; and
- Grown its dividend by about 9% per year.

This is a pretty good track record of growth. And there are reasons to think it could continue. Brookfield is investing in real estate, renewable energy, and infrastructure, all of which are good industries over the long term. Further, the company owns a 63% stake in Howard Marks's Oaktree Capital, a bond investing company that has beaten the market over many decades. On the whole, Brookfield offers a great combination of strong financials and management skill.

Royal Bank

Royal Bank of Canada (TSX:RY)(NYSE:RY) is one of Canada's oldest and most reliable banks. It was founded 158 years ago, and it has been paying dividends for over 100 years. Royal Bank of Canada has survived World War I, World War II, the Cold War, and the COVID-19 pandemic. It hasn't suffered a serious risk of failing through all of those risky events.

Today, you can buy Royal Bank of Canada stock, lock in a 4% dividend yield, and potentially watch it grow over time. It's a great stock for defensive investors.

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3. NYSE:RY (Royal Bank of Canada)
4. TSX:BN (Brookfield)
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6. TSX:RY (Royal Bank of Canada)

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Date
2025/08/15
Date Created
2022/09/16
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