2 Safe TSX Stocks to Add to Your TFSA Amid Rising Volatility

Description

The three consecutive rate hikes of 75 basis points by the U.S. Federal Reserve have failed to tame inflation. Meanwhile, the Chairman of the Federal Reserve, Jerome Powell, has stated that the central bank will continue with its monetary tightening initiatives and expects the benchmark interest rate to reach 4.6% in 2023. Higher interest could raise borrowing costs, thus impacting global growth. These concerns have dragged stock prices down, with the **S&P/TSX Composite Index** trading over 13% lower this year.

Given the volatile environment, investors should look to add safe (low-volatile) stocks to their tax-free savings account (TFSA), as the decline in stock value could lower the TFSA contribution room. Meanwhile, here are my two safe picks to buy right now.

Dollarama

Dollarama (TSX:DOL), which operates discount retail stores, has benefited from rising inflation. Amid rising prices, people are looking for cheaper products, thus driving the company's sales. In the recently reported third quarter of fiscal 2023, the company's revenue grew by 18.2%. The net addition of 63 stores and comparable store sales growth of 13.2% drove its sales. Along with sales growth, the company's EBITDA (earnings before interest, tax, depreciation, and amortization) and diluted EPS (earnings per share) grew by 25.8% and 37.5%.

Supported by its solid performance, Dollarama trades over 20% higher for this year, outperforming the TSX index. It also pays quarterly dividends, with its yield at 0.3%. Meanwhile, with inflation projected to climb higher, I expect the company's growth to continue. Its direct sourcing capabilities and robust bargaining power could allow the company to sell its products at lower prices. Besides, the company is expanding its presence in Latin America. It hopes to increase its store count to 2,000 by the end of 2031. So, given its healthy growth prospects and stable business, I believe Dollarama would be an ideal addition to your TFSA.

Telus

With telecommunication becoming an essential service, I have selected **Telus** (TSX:T)(NYSE:TU) as my second pick. The company has been growing its customer base at a healthy rate. In the second quarter, it added 247,000 customers, 24,000 more than it added during the previous year's quarter. Its bundled offerings, high-speed broadband networks, and lower churn rate of just 0.81% in the wireless segment led to the expansion of its customer base. Meanwhile, its revenue and adjusted EBITDA grew by 6.4% and 8.9%, respectively.

Meanwhile, the company continues to expand its 5G and broadband infrastructure, which could drive its growth in the coming quarters. By the end of the second quarter, its 5G network covered 78% of Canada's population. Plus, the TELUS PureFibre network has now reached 2.8 million locations. Also, earlier this month, the company completed the acquisition of LifeWorks for $2.3 billion, which could expand TELUS Health's global footprint. Other verticals, such as TELUS International and TELUS Agriculture & Consumer Goods, are also witnessing solid growth, which is encouraging.

Meanwhile, Telus has a solid track record of paying dividends. Since 2004, it has distributed around $16.6 billion in dividends. With a quarterly dividend of $0.3386/share, its yield for the next 12 months stands at an attractive 4.84%. Amid its growth prospects, the company's management is optimistic about raising its dividends by mid-to-high single-digit in the coming years.

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1. Dividend Stocks
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2. TSX:DOL (Dollarama Inc.)
3. TSX:T (TELUS)

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