Beginners: This Telecom King Will Spoil You With Dividends

Description

Beginner investors shouldn't be too rattled by the recession chatter. Sure, rates could climb toward 5% over the nearer term, but it's pointless in trying to predict where rates will settle and when central banks will begin to take their foot off the gas. Undoubtedly, we all hope for a dovish pivot. And while Fed chairman Jerome Powell hasn't hinted at such, the magnitude of economic damage on the horizon could easily bring forth a pivot.

Looking ahead, investors are anxiously awaiting the next round of inflation data. Indeed, it seems like stock markets can go no higher until inflation shows signs of backing off once those September Consumer Price Index numbers come due. Regardless, I think stocks are so oversold here such that a positive catalyst may not even be needed. With rates on the 10-year U.S. note pulling back sharply after touching the 4% mark, there is hope that the Fed won't need to inflict more damage than is necessary. There's still a chance for a soft landing, and as long as there is, stocks can start to find a bit of footing as they look to ricochet off the 52-week low.

Stocks can always make new lows from here. However, I'd argue that 10 months' worth of non-stop recession and rate-hike talk has already worked its way through valuations. Have a look at any stock and odds are there's a new line in the sand in anticipation of the macro weakness to be had in 2023.

Seek safety and dividends

Now, nobody knows if earnings will take the steps down or an elevator down. Regardless, I think everyone is so fearful that the responsible thing to do as a new investor is to be a buyer. Yes, it'll feel incredibly painful, even stupid to buy as markets continue to nosedive. But if you liked stocks in 2021, you should absolutely love them today. Valuations are magnitudes lower, and so too is the risk, even though it seems riskier to be a buyer today instead of last year, when stocks did nothing by surge higher.

Currently, I'm a fan of quality over upside potential. There's no point chasing the fastest fallers, unless you know where rates are going to end up in a year, two years, or five years from now. Nobody can possibly know, so instead of betting on the unpredictable (not even the Fed knows where rates will settle), focus on companies that can continue raking in cash flows. At the end of the day, cash flows can fund dividends and dividend hikes. If stocks can't move higher, at the very least, you'll have something to collect, as everyone else bails on stocks for bonds or cash.

BCE: A telecom king that will spoil income investors rotten!

BCE (TSX:BCE)(NYSE:BCE) is a telecom giant that's near the top of my buy radar these days. The stock boasts a juicy 6.1% dividend yield — that's the highest it's been in some time. It took a 18% plunge to get such a swollen yield. And although telecom bill payments could begin to come in late in 2023, I'd argue that investors have nothing to worry about when it comes to the dividend. It's about as safe as they come.

Though higher rates are also a headwind, BCE has a lot to gain as the tightening process ends. The telecoms need to spend money hand over fist to get telecom infrastructure ready for the new age. Though 5G has been around for quite some time, there's still work to do to ensure more Canadians get more "bars" with their cellphones.

Yes, there's pressure, but BCE is flexible enough to balance capital returns and reinvestment. At these depths, I'm inclined to pound the table on the dividend stud.

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1. Investing

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