Bear Market: 2 Safe TSX Stocks to Buy Right Now

Description

The **S&P/TSX Composite Index** dropped another 5% this week, intensifying the bear market. Even dividend stocks and energy producers are no longer safe. However, these two TSX stocks could be better positioned for the economic pain ahead.

Stock #1

Amid the selloff, **Hydro One** (TSX:H) is holding up better than the rest of the market. The stock is down by about 4.5% year to date, while the TSX index is down 14.5% over the same period. That's probably because utility companies are recession resistant. Consumers pay their utility bills regardless of economic conditions.

The electricity transmission and distribution company boasts of a decent customer base of 1.4 million consumers in residential and commercial areas. Ahead of the winter the company is poised to enjoy booming business amid a surge in energy demand.

The company's financials are in good shape, too. It generated earnings of $0.43 a share, representing a 7.5% year-over-year increase.

The strong demand for hydro power has seen Hydro One generate significant cash flow to sustain dividend payouts. The company spots a solid 3.2% dividend yield. Despite the 9% year-to-date gain, the company still trades at a discount with a price-to-earnings multiple of 20, which is well below the industry average of 30.

Stock #2

TransAlta Renewables (TSX:RNW) is another underrated TSX stock that should be on your radar now.

This is an interesting energy play, as the world slowly transitions to cleaner and greener energy. The stock has underperformed the overall market going by the 31% year-to-date decline. The TSX, however, is down by about 14.5%. Despite the underperformance, the company's long-term prospects and growth metrics remain as strong as ever.

TransAlta boasts of a growing portfolio of renewable energy assets distributed worldwide.

The company operates a solid and defensive business with tremendous long-term growth potential. Its renewable energy-generating assets have long-term and regulated contracts capable of generating solid and predictable cash flows. Revenue-per-share growth has been on a roll, increasing by 14.5% over the past year helping support robust free cash flows

In the first half of the year, TransAlta's free cash flow was up 14.7% to $195 million. The company is well poised to generate more free cash flow heading into year end following the addition of Windrise and North Carolina Solar facilities to its portfolio. The company currently pays a 5.37% dividend yield that should be attractive for passive-income-focused investors.

While TransAlta is trading at a price-to-earnings multiple of 27, it is still trading at a discount given the industry average of 30. Additionally, the recent 31% decline provides an opportunity to buy the stock at a discount for its dividend.

CATEGORY

1. Investing

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2. TSX:RNW (TransAlta Renewables)

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vraisinghani