Wherever the Market Goes, I'm Buying These 3 TSX Stocks

Description

Not all stocks are a buy right now after a correction this year. Some might continue to trade weak, while some could recover. Here are three TSX stocks that could stay relatively strong regardless of the market direction.

Constellation Software

Tech stocks have been weak throughout the year, losing 45% so far. However, one TSX tech stock that's been relatively resilient is **Constellation Software** (TSX:CSU). It has lost 18% this year, notably outpacing its peers. Therefore, CSU's premium valuation is justified in this rising rate environment.

Constellation has consistently seen above-average profitability for the last several years. That's because it operates as a holding company for several smaller vertical market software companies. Plus, it caters to a diversified customer base that includes both private and public clients.

So far this year, Constellation reported total revenues of over $3 billion, an increase of 26% year-over-year. Besides superior revenue growth, its profit margins have also remained strong this year. In the same period, its net income jumped to $224 million from $79 million in the first half of 2021.

CSU will likely continue to trade relatively strongly, given its handsome earnings growth prospects and its solid portfolio of software companies.

Emera

Utility stocks have been weak since April due to rapidly rising interest rates. However, some of them have started looking good again after their recent correction. **Emera** (TSX:EMA) is one of them. It has dropped 23% in the last six-odd months. It currently yields 5.4%, higher than TSX stocks at large.

Emera caters to 2.5 million customers in Canada, the U.S., and the Caribbean. It derives 95% of its earnings from regulated operations. Notably, Emera has increased its dividends for the last 15 consecutive years. It aims to raise shareholder payouts by 4%-5% annually through 2025. Such dividend visibility speaks to its earnings predictability and stands tall in these markets.

Utilities usually trend lower in rising interest rate environments. So, almost all utility stocks have dropped notably this year. Note that they might not rebound immediately as rate hikes are expected to continue, at least for the next few quarters. However, after the recent correction, utility stocks like EMA look attractive for locking in a decent yield.

Enbridge

Canadian oil and gas pipeline operator **Enbridge** (TSX:ENB)(NYSE:ENB) is one of the top-yielding Canadian bigwigs. Besides its juicy 6.7% yield, it has raised its payouts for the last 22 consecutive years. Such a long payout growth streak indicates earnings stability and dividend reliability. Given the current yield, ENB stock pays $670 in dividends annually on an investment of $10,000.

Enbridge has a reasonably stable earnings profile and a strong balance sheet. Even when oil prices witness large swings, its earnings are not significantly impacted. That’s because its earnings are derived from long-term, fixed-fee contracts. As a result, energy pipeline companies like ENB are relatively less risky than upstream oil companies.

Enbridge stock has returned 8% this year and 40% in the last five years. A large portion of Enbridge’s returns are in the form of shareholder payouts. The stock will likely continue to grow slowly compared to broader markets. So, if you’re looking for stable passive income for the long-term, ENB could be an appealing bet.

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