Better Buy: Telus vs. BCE Stock

Description

With markets in fear mode following the latest round of interest rate increases from the U.S. Federal Reserve, it seems like there's little hope for relief, as we steadily move into 2023. Indeed, various authorities have warned of a recession in Canada. Despite solid job numbers, layoffs sweeping the tech sector cannot be ignored, nor can calls for further workforce reductions and hiring pauses.

It's an uneasy time to be an investor, especially if you're new. With the S&P 500 at risk of flirting with its lows, waiting for the dust to settle only seems prudent, especially with certain blue-chip names (seemingly safe) off 50% from their highs.

Indeed, there's nothing wrong with a "freeze" response as an investor during times like these. Doing nothing may be the best course of action rather than a "flight" response of ditching stocks at depressed prices. Undoubtedly, investing has become so painful for newcomers these days. Even seasoned money managers are having a tough time avoiding excessive damage at the hands of an unforgiving Mr. Market.

Undoubtedly, the year of excess has led to one of the ugliest bear markets in years. Though I wouldn't look for the Federal Reserve to announce a pause in rate hikes until consumer price index data comes in cooler than expected, I would continue to look further out to the long haul. In five years, we'll likely be looking back and wondering why we didn't load up on the market bargains from across the board. Of course, it's really hard to act against emotion when others around you are feeling uneasy.

In this piece, we'll check out two telecom greats: **Telus** (TSX:T) and **BCE** (TSX:BCE).

The telecoms are relatively defensive in that their betas tend to skew on the lower end, while their dividends help investors cope with turbulence. Further, monthly telecom bills tend to be a less burdensome form of debt than a mortgage. Indeed, consumer defaults are still possible. However, I think Telus and BCE are well seasoned ahead of a soft to rocky landing.

Telus

Telus is a top telecom pick that does a fine job of balancing growth and dividends. The stock boasts a 4.72% dividend yield and a 21.4 times trailing price-to-earnings (P/E) multiple. Historically speaking, Telus isn't a bargain. In fact, it may even be a tad pricey, even after its recent bear market moment. In any case, I think Telus offers stability and dividend growth at a very reasonable multiple.

The payout will survive the coming economic onslaught, and as the yield swells, more investors will be tempted to jump in, despite fading investor sentiment.

In the third quarter, Telus brought on an impressive 150,000 new mobile customers. With a dividend hike announced and an upbeat management team, a Canadian recession seems unlikely to derail T stock.

BCE

For those seeking more yield, there's no shame in going after BCE. The 5.96% dividend yield makes it a top pick among passive income investors. Though BCE may not have the same growth characteristics (or pure-play telecom exposure with its media division), the stock is getting pretty cheap relative to the broader telecom basket at 19.67 times trailing P/E.

BCE stock has been far more volatile this past year, down around 6% year to date. Despite the added volatility, I still view the dividend-growth gem as a best-in-class pick for Canadians seeking to overcome high rates of inflation. Like Telus, a falling share price could beckon in more dip buyers, as the safe yield offers greater bang for the buck.

Recently, BCE clocked in profits that were down year over year. With an "ad recession" on the horizon, BCE was also cautious when it came to guiding for its media business.

Is Telus or BCE stock a better buy?

It depends on what you're looking for. If you seek a higher yield, you cannot go wrong with BCE over Telus stock. However, if you're looking for a shot at greater total returns from a telecom with no sluggish media assets, Telus is a better buy. Personally, I'd have to give the slight edge to Telus for long-term investors.

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