



## Missed Out on Canadian Energy Stocks? My Best Dividend Stock to Buy and Hold

### Description

It's been quite an impressive run for the energy sectors over the past two years. Back in 2020, when energy prices collapsed, I'd urged investors to do some dip-buying, noting that unprecedentedly low energy prices were unlikely to last. Indeed, it was hard to go against the grain when demand imploded in just a matter of weeks.

Fast forward to today, and energy seems to be the only thing that's working for investors these days. Despite the epic run in the energy space, some very smart investors (Warren Buffett included) remain bullish. Indeed, nobody knows what 2023 will hold for oil and gas prices. Regardless, energy stock valuations already seem to leave a bit of wiggle room to the downside, as we confront yet another recession year (technically, 2020 saw a brief recession).

### The energy stocks' rapid rise may not continue through 2023

What has worked in 2022 may not necessarily work in 2023. Energy stocks may be [hot](#) going into year end, but they remain cheap, assuming oil prices don't drop considerably from current levels. While a 2020-style collapse in the energy patch may have a low probability, I wouldn't rule it out if a recession proves anything but "soft."

That's why I wouldn't chase the hottest-performing sector into the new year, as commodities are as profoundly volatile as they are unpredictable. Further, energy prices are still quite elevated compared to the pre-pandemic environment. There certainly exists a scenario where energy stocks could surrender a big chunk of the gains enjoyed through 2022 if Russia pulls out of Ukraine and global energy demand takes a hit from the looming economic downturn.

### Which sector should Canadian investors look to find cheaper (and more bountiful) dividends?

While I'm not against nibbling into [cheap](#) energy stocks at these heights, I'd not look to take an overweight position after such a historic year. The sector's risk/reward scenario may not be the best at this juncture.

Which sector should Canadian investors look to for a better risk/reward tradeoff in 2023?

Though valuations in tech seem enticing, downside risks remain if rates continue to ascend. Personally, I'd look to the telecom industry for cheap dividends.

At this juncture, **BCE** ([TSX:BCE](#)) stock looks like a great deal, with its stunning 5.82% dividend yield.

The price-to-earnings (P/E) multiple of 20.46 leaves a lot to be desired. It's certainly not indicative of a value play. As the great Warren Buffett once put it, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

## What makes BCE a wonderful company besides its generous payout?

The company seems like a steady ship that could effectively sail through a 2023 economic hurricane. With a low 0.45 beta, BCE stock is less likely to fall on a big market-wide down day. Further, the large dividend can help pad any rough patches over the coming year.

The telecom industry is also an interesting, albeit not the best, place to play defence. Sure, telecom bill delinquencies could rise if the recession ends up horrid. Canadians are heavily indebted, after all. That said, telecom bills are easier to digest than mortgages and autos in this higher-rate world.

Despite the looming turbulence, BCE's managers remain optimistic, with 2022 guidance reaffirmed. Such guidance entails 1-5% revenue growth alongside 2-7% growth in adjusted earnings per share. For a behemoth blue chip like BCE, that's some solid growth in a harsh environment. Even if a 2023 recession weighs on it, it's worth noting that BCE has averaged 5% in dividend growth over the last 13 years. With such a rich dividend-growth streak, I don't think a recession will stop next year's dividend increase.

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