3 Canadian Dividend Stocks Paying Big Income in a Bearish Market

Description

Dividend stocks are considered a safe place to invest when markets are bearish. 2022 was a gruelling year for stocks. So far, 2023 has been much better, but who knows how long the current rally will last?

Regardless, it never hurts to have a few solid dividend stocks in your portfolio. If or when the stock market turns bearish, you can still collect a nice stream of dividend returns that offset volatility. There are still plenty of stocks trading with big dividends and cheap valuations. If you want a big income payout, these three stocks could help you in 2023.

An energy stock with a long record of dividend growth

Canadian Natural Resources (TSX:CNQ) is an exceptional Canadian stock for dividends. For 22 years, it has grown its dividend by a 22% compounded annual growth rate (CAGR). That is exceptional for any company, nonetheless a cyclical energy business.

Canadian Natural has very high-quality operations and resources. Canada's largest energy producer has reserves that are expected to last decades. The company can produce energy for a very low cost and at scale. This presents a wonderful formula for value creation.

The independent energy producer is nearing its $8 billion debt target, after which it plans to pay 80–100% of its free cash flow back to shareholders. It is generating a lot of free cash flow, even in the US$80 per barrel range. Last year, CNQ increased its dividend twice and paid a special $1.50 dividend.

Right now, it pays a 4.4% dividend yield. While that is not a monster yield, the company's likelihood is high of increasing its dividend, buying back stock, and paying some more special dividends in 2023.

A Canadian telecom stock with a big dividend

BCE (TSX:BCE) is a stock to buy if you are looking for a big dividend yield. As Canada's largest telecommunications stock, it holds a large, competitive, and dominant position in the market.

Internet and cellular coverage are essential services. As a result, BCE collects contracted, reliable revenues from selling these services. Now, it must spend a lot of money on infrastructure (spectrum, 5G, fibre optic), but it is nearing the end of an outsized spending trend. Once complete, it should be set to earn a lot of excess cash, which will likely be returned to shareholders.

Today, this dividend stock yields 5.85%. The company is targeting to grow its dividend annually by around 5% or more. Overall, this is a defensive stock with a growing stream of dividend income.

An energy infrastructure leader in Western Canada

Another stock with an attractive yield is **Pembina Pipeline** (TSX:PPL). The company is a leading energy infrastructure provider across North America. It serves a crucial role in getting Western Canadian energy processed and delivered to market.

Given the solid recovery in energy markets, Pembina has enjoyed a strong turnaround out of the pandemic. Over 85% of its services are contracted, so that provides a stable income stream that covers its dividend payment.

Pembina has attractive opportunities to grow by development (LNG, pipelines, and its new midstream joint venture), but it also has excess system capacity that could create organic earnings growth as well.

Pembina pays a 5.6% dividend today. PPL stock increased its dividend by 3% in 2022, and if it can continue to grow, prospects for more dividend increases this year look good.

CATEGORY

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2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:PPL (Pembina Pipeline Corporation)

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