3 Stocks I'd Buy — But I'm Waiting for a Dip

Description

Some stocks have bounced and posted nice gains from their 2022 year-end lows. Since we're expecting a recession in the first half of 2023, it may be smart for investors to wait to buy on a dip.

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Sun Life Financial stock

According to the Sharpe ratio, **Sun Life Financial** (TSX:SLF) stock has delivered better risk-adjusted returns than its peer **Manulife** and the Canadian stock market over the past decade or so. In the period, Sun Life produced annualized returns of 16% versus Manulife's 12% and the stock market's 8.2%.

Sun Life is a diversified business that provides asset management, wealth, insurance and health solutions to individuals and institutional clients. Other than Canada, it also has operations in the U.S., the U.K., Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia, and Bermuda.

Last August, Sun Life mentioned it was selling its U.K.'s life and pension business to Phoenix Group, which frees up capital for the business and allows it to form a long-term asset management partnership with Phoenix. Sun Life will retain its payout annuities business in the U.K.

The life and health insurance stock climbed approximately 27% from its low in October 2022. At $66.20 per share, it's about fairly valued and offers a dividend yield of just north of 4.3%. If it dropped to about $60, it would be a good buy-the-dip opportunity.

RBC stock

It's also a rare opportunity to be able to purchase **Royal Bank of Canada** (TSX:RY) stock on sale. It was a gift when the market priced the bank stock at about $115 in October. From there, the dividend stock has climbed 17%. Today, at $135 and change per share, it's about fairly valued and offers a yield of 3.9%.

Of the Big Six Canadian bank stocks, RBC stock provided the best risk-adjusted returns in the past decade or so, according to the Sharpe ratio. In the period, RBC stock produced annualized returns of 12.7%.

The bank stock is a good idea as a passive-income or core holding. If it dips on macro reasons, it will be a great opportunity to accumulate shares for long-term investing.

Fortis stock

Fortis (TSX:FTS) stock has long been considered a defensive dividend holding for diversified investment portfolios. It's the kind of stock that you can continue adding shares of when it trades at a good valuation. Investors can enjoy growing dividend income from Fortis with peace of mind.

Fortis consists of 10 regulated utility operations in Canada, the U.S., and the Caribbean. They're also under different jurisdictions, which give diversity as well. Approximately 3.4 million electric and gas customers rely on Fortis's essential services. So, its adjusted earnings per share have been highly resilient through economic cycles.

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In fact, the dividend stock has increased dividends for almost half a century. Management forecasts that its multi-year capital plan can support dividend growth of about 5% annually through 2027.

The stock climbed roughly 14% from its low in October 2022. Dips to below $52 per share would be decently attractive for an initial yield of close to 4.4%.

The Foolish investor takeaway

The economy is not out of the woods yet. If these three stocks dip on a negative outlook of the economy, it would be smart of long-term investors to accumulate shares for bigger initial income.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:FTS (Fortis Inc.)
2. TSX:RY (Royal Bank of Canada)
3. TSX:SLF (Sun Life Financial Inc.)

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