3 Safe TSX Stocks to Buy in an Unstable Market

Description

While record-high inflation hindered the market's bull run last year, it could be increasing recession fears this year. Lower corporate earnings growth and geopolitical tensions might fuel volatility in 2023. Investors can consider adding defensive names to tackle this higher volatility to provide portfolio stability. So, here are some safe TSX stocks to buy.

Fortis

Utilities like **Fortis** (TSX:FTS) earn stable cash flows in all kinds of economic cycles. Be it a recession or an economic boom, utilities keep growing stably due to constant demand for their services. To be precise, Fortis has grown its per-share earnings by 5% compounded annually in the last decade.

Fortis currently yields 4.2% and has raised shareholder payouts for the last 49 consecutive years. It aims to grow dividends by 5% annually for the next few years. With stable rate base growth, such a payout rise seems quite achievable for Fortis.

Utility stocks generally trade inversely to interest rates. That's why FTS was weak last year amid some of the most rapid interest rate hikes in history. However, that is expected to change this year. Pausing interest rate hikes will be a big respite for utilities like Fortis. Its slow-but steady capital appreciation and dividends will likely create a decent reserve in the long term.

BCE

Another name that qualifies for safety in volatile markets is **BCE** (TSX:BCE). Its dividends and strong execution over the years make it a handsome bet in uncertain markets.

BCE currently offers a dividend yield of 6.3%, one of the highest among Canadian bigwigs. It recently increased shareholder payouts by more than 5% compared to 2022.

Apart from dividends, investors can expect stable capital appreciation from their BCE shares, driven by steady earnings growth. Canada's biggest telecom operator has been on a spending spree for the last few years, investing around $5 billion annually in network infrastructure.

The aggressive spending has come at an interesting time when the industry is consolidating and ahead of 5G becoming commonplace. Moreover, its sound balance sheet and large subscriber base stand tall among its peers.

You can consider BCE shares if you are seeking a low-risk modest return proposition.

Enbridge

Canadian energy pipeline operator **Enbridge** (TSX:ENB) is another interesting bet for conservative investors. It is a relatively safer energy stock that does not move along with volatile oil and gas prices. Its earnings are derived from long-term, fixed-fee contracts and, thus, offer more visibility than that of energy producers.

Enbridge increased its quarterly dividend by 3% last week, marking its 28th consecutive annual dividend increase. It currently yields a juicy 6.7%, way higher than the broad market average.

Note that ENB's lower correlation with oil and gas prices has weighed on its stock price performance. While Canadian energy producer stocks have more than doubled or trebled since the pandemic, thanks to higher oil prices, ENB stock has returned a mere 32%. But that does not make it a bad investment.

ENB stock offers more stability than TSX oil and gas producer stocks. Its dividends and less volatile stock are well-placed to outperform even in low-price environments.

CATEGORY

1. Dividend Stocks
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2. TSX:ENB (Enbridge Inc.)
3. TSX:FTS (Fortis Inc.)

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