



My 3 Top Picks for May

Description

Will May bring riches to new investors? Will the showers of March and April really bring May flowers? I hope so. For those looking to jump into the markets right now, I've got three great picks I think will soar this month.

AltaGas

I've [ripped on AltaGas](#) ([TSX:ALA](#)) in recent years when the company's stock price was much higher. My main issue with AltaGas was the company's terrible acquisition of WGL. Many analysts, including me, have noted that AltaGas has done a very good job, of late, in cleaning up its balance sheet. AltaGas has sold off non-core assets to make the acquisition work. However, questions remain regarding the ability of AltaGas's management team to improve WGL's ROE, which isn't great.

That said, investors shouldn't focus on AltaGas's WGL business. Rather, the key thing that investors should focus on is that approximately 70% of the company's revenue comes from regulated utilities (as opposed to gas, as its name would imply).

Many may still think of AltaGas as a midstream player in the gas market. However, the reality is the company has been diversifying its operations into steadier business. Further, the company has not been given credit for these moves by the market. This is evidenced by the company's relative valuation multiple when compared to its peers, roughly three-quarters.

TD Bank

[I have been critical](#) of those who say the "Canadian banks will never cut their dividends." I'm coming from a "never-say-never" perspective. However, the reality is that the large Canadian banks do look incredibly well capitalized. They seem more than able to continue paying dividends in the future. This makes the yield of a true blue-chip gem like **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) in the 4-5% range a must-buy in this low interest rate environment.

In addition, TD is a high-quality buy. TD is in the upper echelon of high-yielding dividend players on the Toronto Stock Exchange (TSX). However, TD remains relatively cheap from a valuation standpoint, particularly now given recently shifting market sentiment. TD currently trades around eight times earnings. The bank has never cut its dividend in history. Further, TD has stress-tested its earnings to a 70-80% decline scenario. Therefore, I remain confident that TD will be able to continue paying its dividend, though I believe the company will need to stop share buybacks.

Telus

If there's anything this coronavirus pandemic has taught us, it has to be the importance of one's (hopefully stable and fast) internet and wireless connection. **Telus** ([TSX:T](#))([NYSE:TU](#)) is one of Canada's largest telecommunications companies and provides the wiring to keep millions of Canadians going during these tough times. Telus has seen its stock price hold up relatively well of late. (It did split 2:1, so don't freak out if you haven't checked it in a while).

The telecommunications giant has paid a dividend in the 4-5% range of late. This gives income investors a juicy reason to own these shares. For those seeking a defensive option, I would argue it doesn't really get more defensive than Telus right now. The likelihood that anyone is going to stop paying for internet or wireless services is bonkers. So, keep calm and carry on with Telus.

Stay Foolish, my friends.

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TICKERS GLOBAL

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2. TSX:ALA (AltaGas Ltd.)
3. TSX:TD (The Toronto-Dominion Bank)

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Author

chrismacdonald

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