



2 of the Best Dividend Growth Stocks for Volatile Times

Description

Growing macro-economic instability, geopolitical crises in Eastern Europe and the Middle East and declining global industrial activity are all fueling market volatility along with fears of a market correction.

However, there is no need for investors to panic and avoid the stock market altogether. When investing in times of adversity it is important to focus on quality companies with solid underlying businesses, wide economic moats, low debt, and limited earnings volatility. Typically these companies pay steadily growing dividends, which continue to reward investors with a regular income stream regardless of the gyrations of the market.

Here are two blue chip Canadian companies that meet all of these criteria and are well positioned to weather any market correction and reward patient investors over the long term.

Toronto-Dominion Bank

Canada's largest bank by assets, **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)) pulled through the global financial crisis virtually unscathed. Since then it has reported multiple record earnings and repeatedly hiked its dividend. It now offers an attractive yield of 3.4% and a very sustainable payout ratio of 46%. This indicates there is sufficient juice to absorb any sustained drop in earnings from a sustained economic downturn and easily hike the dividend once the economic cycle picks up.

More importantly, Toronto Dominion's dominant market share along with the high barriers to entry associated with the banking industry and relatively inelastic demand for banking products endows it with a wide multifaceted economic moat. This serves to protect its competitive advantage and ability to grow revenue.

Finally it has plenty of room to grow, having successfully built a solid commercial banking and wealth management franchise in the world's largest economy, the U.S. Already its U.S. operations account for 24% of its net earnings and I expect this to continue growing over the long term.

Even with macro instability impacting other major economies globally, the U.S. economic recovery continue to pick up steam boding well for Toronto Dominion's ability to further grow revenue.

BCE

Technological innovation, deregulation, and changing consumption patterns are fast eroding the economic moat associated with the telecommunications sector. But Canada's largest telco, **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)), stands out for all the right reasons. Not only does it pay a sustainable dividend with a juicy yield of 5.2%, but BCE has hiked its dividend every year for the last five years on the back of strong cash flow growth.

BCE holds a dominant market share of Canada's telecommunications industry with significantly more subscribers than any of its rivals. More importantly, over half of those subscribers have connections for higher margin postpaid wireless, high speed data, and cable TV services. It is working hard to retain its competitive advantage by expanding its suite of data, entertainment, and communications services, while beefing up its wireless spectrum and high speed fiber optics networks.

It is also focused on implementing a range of measures designed to bolster capital efficiencies, reduce operating costs and grow free cash flow, further building margins. These measures will further ensure the sustainability of its dividend and help to bolster earnings even in difficult times.

Both companies by virtue of their wide economic moats, dominant market share and demand for their products and services leaves them well positioned to weather any market correction. But more importantly these characteristics also endow them with the ability to bolster earnings over the long-term and repeatedly reward investors through regular dividend hikes.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

Category

1. Dividend Stocks
2. Investing

Date

2025/10/02

Date Created

2014/09/29

Author

mattsmith

default watermark