



3 Top Defensive Dividend Stocks to Hedge Against the Next Market Crash

Description

In a dark portent of things to come, the traditional relationships between assets classes are breaking down; for example, gold rose after a rate hike, and equities recently touched record highs. Along with signs that stock valuations have decoupled from economic fundamentals, there is a growing chorus of pundits claiming that a market correction is long overdue.

The risks of a correction are becoming heightened because of the ever-expanding range of economic and political fissures in the global economy.

In such an environment, now is the time for investors to consider weather-proofing their portfolios by bolstering their exposure to stocks with solid defensive attributes.

Now what?

Typically, these stocks possess wide economic moats, operate in industries with steep barriers to entry, and provide goods as well as services that remain in demand no matter the state of the economy.

Let's take a closer look at stocks that possess these characteristics and more.

First, there is Canada's largest railway company **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)). Its enviable history of growth and regular dividend hikes every year since 1999 make it a tough stock to pass up at the best of times.

Its solid defensive attributes make it a must-have stock at this time.

Canadian National operates in an oligopolistic market which allows it be a price marker rather than a price taker. When coupled with the lack of competition created by the rail industry's steep barriers to entry and that rail is the only viable means of cost-effectively transporting bulk freight, its earnings can only grow. These characteristics also make it relatively immune to any financial crisis, making it a highly desirable defensive stock.

While investors wait for its share price to appreciate, they will be rewarded by the sustainable 1.6%

dividend yield.

Second is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

Most of its assets, including regulated utilities, electricity transmission infrastructure, rail, toll roads, and telecommunications infrastructure, are endowed with solid defensive characteristics. It generates most of its earnings from regulated sources, and this makes its cash flow dependable, shielding Brookfield Infrastructure from the impact of economic downturns.

Brookfield Infrastructure has solid growth potential as well. The global shortage of critical infrastructure coupled with a growing population and an expanding economy will act as a powerful tailwind for growth.

Furthermore, the partnership is in the process of bedding down a range of acquisitions which will deliver synergies and give Brookfield Infrastructure's earnings a healthy boost. These include the needle-moving US\$6.7 billion purchase of Australian ports and rail operator Asciano Ltd. that was completed in 2016.

There are also deals to buy a Brazilian natural gas transmission utility, a Peruvian water utility, and an Indian telecommunications business underway; on completion, they will further enhance earnings.

Patient investors will be rewarded by Brookfield Infrastructure's regular dividend which yields a healthy 4%.

Finally, there is **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)), a diversified renewable energy, electricity transmission, water, and natural gas utility. Almost three-quarters of its earnings come from regulated sources, meaning its cash flows are quite stable, making Algonquin resistant to economic downturns.

The \$3.2 billion acquisition of The Empire District Electric Company, which closed in January of this year, will give earnings a healthy lift, particularly as further efficiencies are realized.

There is a regular dividend yielding a very juicy 5% which will recompense investors for their patience as they wait for Algonquin's stock to grow in value.

So what?

All three stocks possess considerable defensive qualities that make them valuable hedges against a market correction and a convincing means of weather-proofing investors' portfolios against any economic storm. While investors wait for the storm to subside, they will be compensated for their patience with regular dividend payments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
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