

2 Top Dividend Stocks to Own as Interest Rates Rise

Description

Canadian investors are wondering which stocks are attractive picks in the new era of rising interest rates.

Let's take a look at **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) to see why they deserve to be on your radar.

CN

Rising interest rates normally occur in periods of economic growth, and when the North American economy is doing well, CN tends to benefit.

CN is effectively the backbone of the Canadian and U.S. economies with the only rail network in the industry that touches three coasts.

This is an important competitive advantage that is likely to remain in place for decades.

Why?

Merger attempts in the rail sector tend to run into regulatory roadblocks, and the odds of new tracks being built along the same routes are pretty slim.

CN still has to compete with the trucking industry and other rail carriers on some routes, so management works hard to ensure the company is operating as efficiently as possible.

CN regularly reports an industry-leading operating ratio, and the business generates significant free cash flow.

The stock's dividend yield is just 1.6%, but the annualized dividend-growth rate is about 16% over the past 20 years. CN also has a long history of share buybacks.

If you want a stock to buy and hold for decades, CN should be a top contender for your portfolio.

Sun Life

Sun Life owns insurance and wealth management businesses in Canada, the United States, and Asia.

Insurance companies have to set aside a large chunk of money to cover potential claims, and these funds typically sit in interest-paying guaranteed investments. As interest rates rise, the return the insurance companies can get on these funds increases, and the impact on earnings can be significant when you are looking at billions of dollars picking up additional yield.

Sun Life knows attractive growth opportunities lie in Asian economies, where the middle class is

expanding. As a result, it has invested heavily to build a strong presence in countries such as India, Malaysia, Vietnam, China, Indonesia, and the Philippines.

The region is performing well for the company, and the long-term potential is extremely attractive.

Investors who are looking for a quality dividend stock that could benefit greatly from rising rates should consider Sun Life today.

The bottom line

Buying great companies should always be the primary motivation when making investing decisions in dividend stocks, but keeping economic trends in mind when narrowing down the list is also very important, especially in the current environment.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. NYSE:CNI (Canadian National Railway Company)
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