4 Dividend-Growth Stocks to Own With Low Interest Rates

Description

The dovish turn by the Bank of Canada on October 25 could signal a longer period of low interest rates. For much of 2017, there has been a consensus among experts that the Bank of Canada would now be forced to commit to an era of tightening after keeping interest rates at record lows for almost a decade following the 2007-2008 Financial Crisis.

Now, with added pressure on Canadians hampered by record high debt and concern regarding the housing market, even gradual interest rate hikes are a cause for anxiety.

Let's take a look at four dividend-growth stocks to buy if the low interest rate environment is set to be extended indefinitely.

Fortis Inc. (TSX:FTS)(NYSE:FTS) is a St. Johns-based utility company. Utilities are an attractive target in a low interest rate environment. Not only are utility stocks often superior to low-yielding guaranteed income in these periods, but companies are able to take advantage of lower borrowing costs to invest in infrastructure. Fortis stock has increased 13.4% in 2017 as of close on October 26 and 9.9% year over year. The stock offers a dividend of $0.43 per share, representing a dividend yield of 3.6%. The company has delivered four decades of dividend growth.

ATCO Ltd. (TSX:ACO.X) is a Calgary-based holding company with subsidiaries in gas, utility, and construction industries. The company released its third-quarter results on October 26. ATCO invested $518 million in capital growth projects in the quarter and has committed over $1.2 billion in 2017. Shares of ATCO have climbed 2.3% in 2017 and are down 1.3% year over year. The company has delivered dividend growth for over 20 consecutive years.

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) stock has experienced downward pressure as the Canadian dollar gathered huge momentum following rate hikes in July and September. The headwinds pushed CP Rail stock below the $190 mark in late August, but the dovish atmosphere and a solid earnings report have changed its fortunes. Shares of CP Rail have climbed 14% over a three-month stretch as of October 26. In the third quarter, revenue grew 3% to $1.6 billion, and operating income increased 5% to $690 million. The stock also offers a dividend of $0.56 per share with a 1%

dividend yield.

RioCan Real Estate Investment Trust (TSX:REI.UN) is the largest real estate investment trust in Canada. Investor sentiment regarding REITs has soured in 2017 due to a combination of factors. Experts and analysts have sounded warnings regarding the Canadian housing market, and much of this boiled over during the crisis at **Home Capital Group.** Still, the market has seemingly stabilized, and the government has been quick to introduce measures designed to make the real estate industry more robust. The promise of higher interest rates also drove investors away from REITs, as higher borrowing costs and a strain on renters had the potential to eat into growth outlook. RioCan REIT offers an attractive dividend of $0.12 per share with a 5.7% dividend yield.

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