Retirees: Flock to These Stocks in a Wobbly Market

Description

The S&P/TSX Index dropped over 200 points on February 5, as the global stock market rout continued to begin the week. The Dow Jones Industrial Average fell as much as 1,500 points at one point and ultimately closed down 1,175 — the largest single-day drop in history. The sell-off appears to have been triggered by an uptick in wages — 2.9% in the U.S. — and the promise of future interest rate hikes due to strong economic growth.

The fundamentals of the U.S., Canadian, and global economy remain very strong. However, a bull run that has dated back to 2009 has shown signs of strain. For those nearing retirement, it may be time to adjust your portfolios and stack up on dividend-yielding stocks that offer stability in the long term.

Below are two stocks that offer solid dividends and a good long-term outlook in the current economic environment.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Bank of Nova Scotia fell 2.41% on February 5. Shares have dropped 3.7% in 2018 thus far. Bank of Nova Scotia boasts one of the strongest yields of the Big Six, offering a dividend of $0.79 per share with a 4% dividend yield.

In its full-year fiscal 2017 report, Bank of Nova Scotia posted net income of $8.24 billion compared to $7.64 billion in the prior year — an 8% increase. It posted diluted earnings per share of $6.49 over $6 in 2016 — also an 8% rise. Bank of Nova Scotia possesses attractive exposure in emerging markets in Latin America, which posted strong loan and deposit growth in 2017.

Although rate tightening could spell trouble for asset valuations in 2018 and beyond, banks should be able to improve credit margins in what has been a historically low-rate environment since 2009. Canadian banks are still a highly attractive dividend play at this stage, especially considering the volatility in utilities, telecom, and real estate stocks so far in 2018.

Andrew Peller Ltd. (TSX:ADW.A)

Andrew Peller is a producer, bottler, and marketer of wine and wine-related products. Andrew Peller stock has dropped 4.1% in 2018 but is up 36% year over year. The stock reached an all-time high of $16.50 in the beginning of January.

Alcohol is one of the more robust consumer industries and is typically capable of withstanding even the most turbulent market conditions. Retail sales activity for beer, wine, and liquor stores experienced 5% growth year over year in a Statistics Canada report for November 2017. Wine has also established itself as a staple among the millennial generation, which bodes well for its long-term growth in popularity among younger consumers.

Andrew Peller released its fiscal 2018 second-quarter results on November 1. It reported sales of $180.4 million in the first two months of this fiscal year compared to $176.2 million in the prior year. Net earnings also climbed to $17.4 million over $16.2 million in the first two quarters of fiscal 2017. The company is expected to release its third-quarter results in early February.

Andrew Peller announced a dividend of $0.05 per share, representing a 1.2% dividend yield.

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