Telus Corporation and Fortis Inc. Could Be a Bargain in March

Description

On March 7, the Bank of Canada decided to hold its benchmark interest rate at 1.25%. The central bank's governing council cited a possible slowdown in housing and heightening trade tensions as the reasons to stand pat. However, the Bank of Canada remains optimistic regarding Canada's economic outlook in 2018. The fixed-income analyst for global asset manager **BlackRock, Inc.** recently projected that the Bank of Canada would make, at most, one more move to hike rates in 2018.

An early hike in January and the promise of further tightening has battered utilities and telecommunications stocks in recent weeks. Rising bond yields are driving down investor sentiment for stocks that have provided steady income and dividend growth in a low interest rate environment. A dovish tone from the Bank of Canada should inspire confidence, as these stocks still provide solid income and should remain unchallenged with interest rates hovering around historic lows.

Today, we will look at two top stocks to consider adding in March.

Telus Corporation (TSX:T)(NYSE:TU)

Telus is a Vancouver-based telecommunications company. Telecom companies have been under a microscope of late due to reportedly "aggressive" sales tactics. Shares of Telus have dropped 1.9% in 2018 as of close on March 9. However, the stock is up 8.5% year over year. Telus released its 2017 fourth-quarter and full-year results on February 8.

Consolidated operating revenue rose 4.9% year over year in Q4 to $3.5 billion, as it posted strong wireless growth. EBITDA surged 46% to $1.1 billion, as Telus reported lower restructuring costs, and adjusted EBITDA rose 4.7%. For the full year, Telus reported revenues of $13.3 billion and adjusted EBITDA of $4.89 billion. In its 2018 outlook, Telus has projected 4% to 6% growth in revenues and 4-7% growth in adjusted EBITDA.

Telus also declared a quarterly dividend of $0.50 per share, representing a 4.3% dividend yield.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

Fortis is an electric and gas utility holding company based in St. John's. Shares of Fortis have plunged 7.4% in 2018 thus far and are up 0.76% year over year. The company released its 2017 fourth-quarter and full-year results on February 15.

Fortis reported net earnings of $963 million, or $2.32 per share, compared to $585 million, or $1.89 per share, in 2016. The company saw earnings growth offset in part by a non-cash write down of $146 million due to the U.S. Tax Cuts and Jobs Act, which was signed in December 2017. As with other companies that reported the write-down, Fortis is optimistic that the reduction in the corporate rate will be a positive for the long term.

Cash flow from operating activities surged 46% to $2.8 billion in 2017, and the company now boasts $48 billion in total assets. Fortis leadership has said that it will focus on internal improvement after the ITC and UNS Energy Corp. acquisitions in recent years. The company has delivered over 40 consecutive years of dividend growth. It last announced a dividend of $0.43 per share, representing a 4% dividend yield.

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