2 Dividend Stocks to Own in a Volatile Market

Description

Volatility has returned to the stock market in 2018, and that has some investors searching for quality stocks that can ride out the turbulence.

Let's take a look at **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) to see why they might be interesting picks.

Fortis

Fortis owns natural gas distribution, electric transmission, and power generation assets in Canada, the United States, and the Caribbean.

The company has grown over the years through strategic acquisitions, and that trend continues. The largest deal was the 2016 purchase of Michigan-based ITC Holdings for US$11.3 billion. The ITC acquisition provided Fortis with an additional footprint in the U.S. and added an important revenue stream to help support dividend growth.

Fortis also has $14.5 billion in capital projects scheduled over the next five years and expects the rate base to expand considerably over that time frame. As a result, management is targeting dividend growth of at least 6% per year through 2022.

Fortis has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance.

The current distribution provides a yield of 4%.

Canadian National Railway

CN effectively operates as the backbone of the Canadian and U.S. economies, carrying everything from coal to crude oil, grain, cars, lumber, and consumer goods.

The company is the only rail operator in North America with tracks connecting three coasts, and investors should see this important competitive advantage remain in place for some time. Attempts to merge railways tend to run into regulatory roadblocks, and the odds of new tracks being built along the same routes are pretty slim.

CN generates significant free cash flow and does a good job of sharing the profits with investors through share buybacks and dividend increases. The company recently raised the payout by 10% for 2018.

Long-term investors have done well with this stock. A $10,000 investment in CN just 20 years ago would be worth more than $170,000 today with the dividends reinvested.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for investors who are looking for top-quality companies that can ride out market turbulence. At this point, I would probably split a new investment between the two companies.

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