2 Buy-and-Hold Stocks to Own in a Market Downturn

Description

Stock market volatility has returned in 2018, and investors with a bit of cash on the sidelines are wondering which names might be attractive picks right now.

Let's take a look at **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see why they might be interesting choices in the current environment.

Fortis

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

That might not sound very exciting compared to social media, marijuana, or cryptocurrency plays, but conservative investors with an eye on wealth preservation are likely to sleep better at night with Fortis in their portfolios than they would by buying some of the recent high-flying names.

Most of the company's revenue comes from regulated businesses, which means cash flow should be predictable and reliable. In addition, Fortis has done a good job of diversifying its geographic exposure in recent years through major acquisitions in the United States, including the 2016 purchase of Michigan-based ITC Holdings for US$11.3 billion.

Fortis also has $14.5 billion in capital projects scheduled for the next five years. As a result, the rate base should increase by a considerable measure, and management is confident cash flow will grow enough to support annual dividend hikes of at least 6% through 2022.

The company has increase the payout every year for more than four decades, so investors should feel comfortable with the guidance.

At the time of writing, Fortis provides a yield of 3.9%.

TD

TD is an earnings machine. The company reported fiscal 2017 profit $10.5 billion, with strong performances from both sides of the border.

The company has worked hard to build an impressive U.S.-based business with branches running from Maine right down the east coast to Florida. In fact, TD operates more branches in the U.S. than it does in the home country.

The U.S. retail operations, combined with TD's interest in TD Ameritrade, generate more than 30% of the company's net income. This provides investors with a nice hedge against any potential downturn in the Canadian economy.

Some investors might be concerned that rising interest rates could trigger a sell-off in the Canadian housing market. It's true that a percentage of homeowners could find themselves in trouble and be forced to sell their properties, but most analysts predict a gradual pullback, and TD's mortgage portfolio is capable of riding out a downturn.

Overall, higher interest rates tend to be a net benefit for the banks.

Is one more attractive?

Both companies should be solid buy-and-hold picks for a conservative portfolio. As the market works its way through a much-needed correction, I would probably look to split a new investment between Fortis and Toronto-Dominion Bank.

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Date
2025/08/14
Date Created
2018/04/02
Author
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