Here’s 1 Strong Stock to Power Your Portfolio

Description

It’s little wonder that financial commentators are talking about a stalled bull market. With talk of trade wars, the possibility of conflict in global hotspots, rising interest rates, and increasing challenges in the real estate sector, the current outlook for the world economy is uncertain to say the least.

With the additional market stressor of rising fuel prices, let’s look now at “one strong company,” as it describes itself on its website, and see why it’s a good pick for the energy section of your portfolio.

A high-powered dividend stock for your retirement

Fortis Inc. (TSX:FTS)(NYSE:FTS) is possibly one of the best defensive stocks on the TSX, period. With an uncertain outlook for global economic growth ahead, does it make sense to hold stock in Fortis? It’s a moderate buy right now for most analysts, as shrewd would-be investors have watched its share price fluctuate wildly over the past year, just waiting to pounce.

With oil prices rising, it’s unlikely that Fortis stock is going to fall anywhere near its historic price multiple low of 15. With a forward P/E of 16.6, it’s still a little expensive for the return. But Fortis is worth it because it’s such a stable company; with assets in the U.S., Canada, and the Caribbean serving 2.5 million customers, it’s well rooted in its field. Holding $49 billion in electricity and gas assets, it’s in the top 15 North American utilities companies.

And if that doesn’t convince you, its dividend yield is set to grow 6% annually over the next six years on the back of 44 consecutive years of growth. While its current yield of ~4% may not be the biggest on the TSX, it’s certainly near the top, give Fortis a few years and it could surpass even the most lucrative stock currently trading.

Stop watching the pennies and act now

Fortis stock peaked last November at $48.59 following a year of fluctuating rather rapidly around the $45 dollar mark. That share price plunged close to the $40 mark in early February, followed by a couple of peaks and troughs either side of $42.5. Currently just shy of $42 per share, and unlikely to dip dramatically again before the end of the year, it might be worth buying at the going rate to head off further uncertainty in global markets.

Investing in Fortis is a well-established game played by many old-school TSX investors. There's a trick to timing Fortis stock acquisition. But let's forget short-term trading tactics for now: Fortis is worth buying and holding whatever the price, so long as it's reasonable and you get good returns. It's a solid pick for an investor about to retire, lining their RRSP ahead of time, or playing it safe and looking for a long-term income stock. So if you already own financial and materials shares, Fortis is a good way to balance your portfolio if you're light on energy and would like a rewarding defensive stock.

The bottom line

It's worth holding Fortis for the dividend alone. At 3.99%, you'll be getting a pretty serious return on investment for a stock that's reasonably priced. Sure, you could buy it cheaper – maybe. But why wait when you could give yourself a bit of extra security with a stable income stock at a price that's already good? As the U.S. continues to shake the markets and oil prices climb alongside rising interest rates, now might be a good time to hold onto something sturdy.

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