1 of My Favourite Income Stocks Is on Sale Today

Description

When it comes to stability and dividend reliability, it's hard to do better than **Fortis Inc.** (TSX:FTS)(NYSE:FTS), with its highly regulated operations and above-average earnings growth profile — a profile that enables the company to raise its dividend year after year, leaving very little room for surprises.

Conservative income investors don't like surprises, which is why Fortis is worthy of a premium multiple, even in an environment where its dividend is deemed less attractive in the eyes of the public. Despite the excessive negativity surrounding the stock, Fortis is still poised to grow its dividend by ~6% per year through 2022 regardless of the broader market.

So, if you have any doubts about the health of this nearly 10-year-old bull market, Fortis is a premium name that you should strongly consider picking up. And right now, you don't have to pay a premium price. In fact, the stock is the cheapest it's been in recent memory, even when you consider the negative effect of a higher interest rate environment, which I believe have already been fully baked (and then some) into shares.

Fears of higher rates have produced a long-term buying opportunity for "safe" investors

It's hardly a mystery that the utilities have been out of favour recently.

A higher interest rate environment is a long-term headwind for utility stocks and their above-average dividends are seen as a safe haven by many simply aren't as attractive as they were when interest rates were hovering near rock-bottom lows. While fears over higher rates may linger for longer, it's important to remember that with Fortis, you're still getting a defensive powerhouse with predictable single-digit earnings growth numbers. In addition, the company has the ability hold its own like few other stocks on the TSX when the bear finally comes out of hibernation.

For conservative income investors, the predictable magnitude of dividend growth over the foreseeable future is still very attractive in a higher rate environment. Management continues to impress on the growth front, with many promising opportunities in Canada and the U.S. that will allow the company to continue to support frequent dividend hikes not only through 2022, but likely for decades to come. At this point, it seems like nothing can derail Fortis' annual dividend hike streak.

Bottom line

At the time of writing, Fortis stock is down nearly 15% from its high with a 4.13% yield.

I think the sell-off over the fears of rising rates is overdone. If you're a retiree who's looking for stability and income, you should realize that there's nothing fundamentally wrong with the business. The expectations of the average investor have just changed, and at today's prices, you're getting an attractive entry point with what I believe is a relative margin of safety.

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Date
2025/07/25
Date Created
2018/06/08
Author
joefrenette