



Top 2 Dividend Stocks to Fortify Your Portfolio With This Summer

Description

Summer is finally here!

It's a time for low trading volumes, as many institutional and retail investors head off on their vacations. While summer is usually a time for relaxation and not worrying about the stock market, there are many reasons to believe that this time will be different.

First, Donald Trump's tweets are making it hard for investors to tune out of the markets for the fear that the escalating trade war may spiral out of control, sending stocks plunging well in advance of September when the pain has typically mounted in the past.

Second, the off-the-charts volatility experienced this year to go with two corrections in the S&P 500 are cause for concern. Could we be on the verge of a deep recession? A leading economic indicator in the yield curve seems to point to an imminent recession. It's on the verge of inverting, and when that happens, the horrific indicator may be a self-fulfilling prophecy as investors grow wary over all things that are wrong in the investment world today.

Third, oil is rallying, and marijuana companies are making the final touches before the floodgates finally open on October 17, 2018 (the official date for nationwide legalization of recreational cannabis). These two developments have major implications on the Canadian economy, so investors will surely be tuning in while they enjoy the summer sun in their vacation destination of choice.

I know what you're thinking: a lot of these stories have the potential to go really wrong and may ruin our summer vacations! For example, a full-on trade war could trigger a recession or even a depression (Prem Watsa's long-time deflation prediction may finally come true).

And while that's a scary thought, I'd urge Canadian investors to remain calm and fortify their portfolios with defensive stocks, like the highly regulated utilities **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) or **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)), both of which have high dividends of 4.1% and 5.2%, respectively, as well as the ability to sustain growth if times really do become ugly.

In addition, each stock looks undervalued at these levels, as investors shun the names primarily due to

the fact that their respective dividends are less worthy in a [rising interest rate environment](#). While the dividends may be less attractive in such an environment, I believe investors are discounting the defensive nature of each firm, especially given we're nearly 10 years into a bull market that may or may not live to see 11.

If you're at all worried about the state of the markets. It may be worthwhile to rebalance your portfolio if you find you're overweight in cyclical names that could get crushed come the next downturn. Although [risk-parity investing](#) won't give you superior results if the bull market lives on, you will be able to get better sleep at night, especially if you're prone to making rash decisions when times get harsh or if you're an older investor who's looking to exit to workforce at some point over the next five years or so.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)

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