2 Defensive Dividend Stocks to Own as Fed Raises Recession Risk

Description

The markets have been rattled of late courtesy of Fed chair Jerome Powell, whose overly hawkish and less data-dependent tone seems to be ringing alarm bells in the ears of investors, many of whom believe the stock market will suffer a drastic slowdown.

The economy is still firing on all cylinders and U.S. job growth shows promise, but given the escalating trade war between China and the U.S., among other uncertainties, I think there's a growing chance that Powell's fast-and-furious battle against inflation will not end well for investors.

Although Trump's tax cuts have given the bull market a new set of legs in its old age, Powell is kicking the bull's legs with his aggressive monetary policy. And in the coming months, I think we'll see a continued rotation from growth stocks back into defensive dividend names, as investors look to play defence.

I've urged investors to avoid getting too greedy by being overweight cyclical names in the late stages of the current market cycle and encouraged investors to consider some of the most beaten-up REIT, utilities, and telecom stocks that have been in a rut over the past year.

Now, I'm not saying a recession is in the cards for 2019. Rather, investors need to answer the recent wake-up call if they find their portfolio is lacking in defensive stocks, which I consider to be essential given where we're at in the market cycle and the unaccommodating tone of Powell.

Without further ado, here are three stocks investors should buy now before their price of admission goes up in conjunction with the growth-to-value rotation.

Fortis (TSX:FTS)(NYSE:FTS)

Yes, I know. Fortis is a boring company that's better suited for retirees and doomsday investors due to its highly predictable cash flow stream. The company's 4.1%-yielding dividend and +5% in annual dividend hikes aren't worth nearly as much as rates continue to soar. But before you shun the stock (and other utilities), it's important to note that the headwind of higher rates has already been baked in and then some.

You're getting a discount on a name that'll be a hot commodity once investors become fearful over an economic slowdown or a deep recession. At just 15.7 times forward earnings, you're getting a premium blue chip that'll act as a solid foundation for your portfolio, allowing it to weather whatever Mr. Market has in store moving forward.

Rogers Communications (TSX:RCI.B)(NYSE:RCI)

Although higher interest rates and increased competition in the Canadian telecom scene are long-term headwinds, Rogers has continued to experience applaud-worthy subscriber growth momentum. Combine that with ridiculously low subscriber churn numbers in the last quarter, and I think Rogers is the best-positioned Big Three telecom to weather the imminent storm of insidious headwinds (higher rates and fiercer competition).

Moreover, Joe Natale and his team are incredible stewards that know how to react accordingly to new entrants in the telecom scene. They're expert game theorists and are looking poised to enjoy continued ABPU (average billing per user) growth, as they pull out all the stops to prevent subscribers from jumping ship.

As we head into a slowdown, Rogers's cash flows will continue to robust as phone plan defaults are ridiculously low, especially when you consider the fact that credit checks have become the norm before any form of dotted line is signed.

Foolish takeaway

Now is not the time to be greedy. It's time to reduce your cyclical exposure to equal or underweight, as you give more love to some of the defensive dividend names out there that are going to become great again as the growth-to-defensive rotation continues.

Stay hungry. Stay Foolish.

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