2 Top Dividend Stocks That Can Weather Market Storm Better Than Others

Description

The fear is back again and volatility is spiking in the markets — an environment that's certainly not good for stocks. But if your portfolio is well-diversified and have some defensive stocks in it, you're in a much better position to weather any market storm.

In Canada, there are some great companies with enough firepower to ride through a period of extreme downturn and uncertainty. Among them, **Fortis Inc**.(TSX:FTS)(NYSE:FTS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are the two names that I will recommend. Let's take a deeper look on their potential.

Fortis

Having energy infrastructure stocks in your portfolio offers a good hedge against prolonged market downturns. These companies provide us power and gas, move bulk energy products from refineries to customers, and build storage facilities.

Their place in the economy is so crucial that we can't imagine the modern-day life without their services, no matter the economy is in recession or growing. That's the reason I like the St. John's-based Fortis, which provides electricity and gas to 3.2 million customers in the U.S., Canada, and Caribbean countries.

The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean. The utility is growing its asset base so that it could continue to generate strong cash flows. It has a $14.5-billion capital-spending plan for the next five years.

With a 44 consecutive years of dividend hikes, Fortis is a top defensive stock to buy these days. Trading at $41.11 and with an annual dividend yield of 4%, this stock looks attractive again after the recent pullback, especially when the utility plans to deliver 6% average growth in its annual dividend each year through 2022.

TD Bank

In an environment when interest rates are rising and equities are falling, banking stocks can offer a good upside. Banks make money through lending. As rates go up their margins also improve.

But in this trade, you shouldn't buy banks that aren't prepared to deal with a weak operating environment. In Canada, you have some top lenders that have strong balance sheets and growing income to outperform during the time of uncertainty.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is my favourite in this space. Following its aggressive growth in the U.S. during the past decade, TD now runs more branches south of the border than it does in Canada.

This wide presence in the U.S. makes TD Bank a great diversification play, as it generates 27% of its net income from the U.S. retail operations. The bank also has a 42% ownership stake in TD

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When it comes to dividends, TD distributes between 40% and 50% of its income in dividends. After an 11% increase in its payout this year, income investors in TD stock now earn a $0.67-a-share quarterly dividend, which translates into a 3.48% yield on yearly basis.

The bank is forecast to grow its dividend payout between 7% and 10% each year going forward — impressive growth to bank on if the downturn persists.

Bottom line

Fortis and TD are two stocks to consider during times of distress. These two stocks have the potential to perform better during recessions and the market downturns.

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