2 Defensive Dividend Stocks to Buy in This Deepening Downturn

Description

After looking at the performance of the global markets over the past month, it seems the risks of a prolonged correction are increasing.

While the latest earnings season shows that the health of the corporate world in North America remains strong, the cost of doing business is rising fast. Investors are also concerned about the possibility for slowing U.S. economic expansion and an escalating trade battle between the U.S. and China, the world's two largest economies.

In this backdrop, it's important for investors to look for stocks that generally benefit in any downturn. I'm talking about defensive stocks, which continue to produce steady income and reward their investors with regular dividend income in both good and bad times.

Here are two top dividend stocks from Canada that you can consider during times of distress.

Bank of Nova Scotia

Toronto-based **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is one of the top dividend payers in Canada and a great defensive play for long-term investors. The lender has well-diversified banking operations both in Canada and Latin America.

For the third quarter, Scotiabank earnings reported record Canadian banking profit, with net income rising 8% to $1.13 billion from a year ago. The bank was able to achieve this profitability, despite that its earnings from international banking came under pressure due to the costs tied to acquisitions.

Trading at $70.92 at the time of writing, and with an annual forward dividend yield of 4.8%, BNS stock offers good value to long-term investors.

The lender has paid a dividend every year since 1832, while it's hiked its payouts in 43 of the last 45 years. In the recent sell-off, Scotiabank stock has outperformed the broader market due to itsdefensive nature.

With the payout ratio of about 40%, there is plenty of room for the bank to continue hiking its $3.40-a-share annual dividend. With the 12-month consensus price estimate of $86.54 a share, BNS's valuations are also compelling and offer a good entry point to make some potential capital gains down the road.

BCE Inc.

Canada's largest telecom operator **BCE** (TSX:BCE)(NYSE:BCE) is another defensive stock to buy to add some safety to your portfolio.

In the past month, BCE stock has jumped about 7%, massively outperforming the benchmark S&P/TSX Composite Index, showing that the company can attract funds when top growth stocks are being sold off.

BCE has long maintained a policy of increasing its dividend by 5% annually and has used a series of acquisitions to partly fuel the cash flow growth necessary to keep boosting the payout.

In the most recent quarter, BCE beat analysts' forecast for profit as it added more wireless subscribers, suggesting its long-term growth potential remains on track, despite rising competition in the wireless market.

These factors make BCE stock an attractive option for income investors to consider during this downturn and lock in its juicy 5.58% forward dividend yield.

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