Don’t Leave Out These 3 Utility Stocks

Description

Whether it’s late in the economic cycle, or another market condition, investors benefit from utility stocks due to the dependable income from steady business. One of the recent TSX break out stocks is **Fortis Inc.**, which is up 12% since the summer low. This utility giant is leading the list of defensive stocks rally during the volatile fall slump.

There’s still other compelling cases in this sector.

Another utility stock is running up

Emera Incorporated (TSX:EMA) is focused on electricity transmission throughout parts of North America, both south and north of the border, as well as some Caribbean islands. Until every house has solar panels to power the home in a net-zero manner, companies like Emera will continue to benefit from this essential service.

I attempted to draw attention to Emera back on 15 October. Investors that heeded my tempered but positive recommendation would have gained 13% in just six weeks, a fabulous return. Add this to the 5.3% annual yield.

Northland Power Inc (TSX:NPI) is another interesting stock, yielding 5.6%, and got back on my radar after a funny encounter back in November. Shares of this non-traditional (wind) energy company are getting pumped up by bullish investors. There’s been several days since the summer (six and counting) when trading volumes have been atypical, and during each of these high volume days the stock price rose.

This is part of an overall trend that dates back to late 2016 as the trading volume on these shares has been rising steadily. Overall, this is a sign of gaining momentum, as the number of shares during this time has remained relatively constant, which means the volume increase is not due to issuing of new shares.

Meanwhile, the trailing price-to-earnings ratio (P/E) is still quite favourable. Energy stocks tends to covet a price multiple above the TSX average. Green energy investors tend to pay an additional premium. So then why is Northland awfully cheap with a P/E of 14? It’s partly because revenue has increased 42% over the most recent three-year period, making current price good value. Earnings-per-share have risen even more dramatically. These metrics are trending in a positive direction.

Northland Power has put in a bottom

Investors may have heard this comment before, but it is worth repeating. Buying stocks is the one transaction where people tend to be more excited to buy when prices are high, compared to depressed stock prices, when they should be buying stocks when they are cheap. Fear-of-missing-out (FOMO) interferes with rational thinking. When Northland shares bounced hard off of $20 per share in late

October, it was an indication that the stock had reach its deepest discounted price.

Takeaway message

I mentioned utility stocks anchor a portfolio. Both Emera and Northland Power have triple B (BBB) corporate credit ratings according to Standard & Poor's. Black swan events, like the forest fires we've witnessed in California, are tragic for the people affected and can be bad for business. Splitting your utility stock investments between these two would be sensible to safe guard risk.

Meanwhile, if interest rates taper off as the news would suggest, this will add extra buoyancy to these already robust stocks.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:NPI (Northland Power Inc.)

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