Alarmed Investors Should Get Defensive With Stocks Like Fortis (TSX:FTS)

Description

Canadian utilities are hot right now, with energy leading the mini-rally after the disastrous market shakeup that hit right before Christmas. While some pundits were already eyeing utilities as a suggestion for investors looking to get into more defensive positions ahead of a forecast 2019 downturn, watching the U.S. markets tumble the way they have makes the following stock look all the more inviting.

With value opportunities cropping up left, right, and centre, now is a good time to take a last-minute look at the TSX index for bargain stocks that will bring added security to personal investment portfolios. Read on to see why one utilities ticker heads up the best defensive stocks to buy now.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

With a beefy market cap of $19 billion, Fortis lives up to its name and makes for a strong choice for any investors looking to get defensive for 2019. A one-year past earnings contraction by 4.4% shows that Fortis had a tough year, but let's compare it with a meagre 4.4% gain in the industry as a whole for the same period; meanwhile, a five-year average past earnings growth of 24.7% shows that this stock usually pulls it out of the bag.

A PEG of 3.5 times growth is a little high, but stay tuned for some more representative value indicators (that PEG is no doubt skewed by a bad year). Staying with risk factors, though, now may be a good time to mention that Fortis holds a little more debt than some other utilities companies on the TSX index, with a high comparative load of 130.1% of net worth.

Fortis's data shows there's strength in numbers

Going back to value, we can see a P/E of 19.5 times earnings that's only a shade higher than it should be, while a P/B of 1.3 times book is assurance enough that Fortis is close to trading at its book price. A dividend yield of 4.01% is solid enough for the TSX index, and the defensive characteristics of this stock make for some fairly assured passive income.

Moving on to quality indicators, we can see that Fortis had a past-year ROE of just 6%, though a solid EPS of $2.30 brings up the quality quotient. A 5.5% expected annual growth in earnings may not be hugely significant, but it beats the contraction this stock has suffered over the past 12 months.

Despite the crazed market turbulence over the Christmas period, Fortis only shed 0.44% in the last five days. No surprise there: its five-year beta relative to the market of -0.01 indicates extreme low volatility. Meanwhile, its share price is discounted by 31% compared to its future cash flow value, making this a solid pick for value investors — even if it does give momentum investors a case of the infectious yawns.

The bottom line

Using the rubric of value, quality, and momentum indicators to return a hold, buy, or sell signal, the above data shows that Fortis is a moderate buy. However, that rubric can be usefully picked apart depending on what style of investor one happens to be; if, for instance, you're looking for defensive dividends, they don't come much stronger than this TSX index utilities superstar.

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vhetherington