RRSP Investors: 2 Top Dividend Stocks to Buy in a Volatile Market

Description

The stock market is once again undergoing a period of volatility, which has investors wondering where they should be putting their money.

What's going on?

Concerns surrounding the ongoing trade dispute between the United States and China have triggered a wave of profit-taking in the equity markets after the stellar rally through the first part of 2019.

Investors are worried that the U.S. will move ahead with threats to impose additional tariffs on China in the coming days; analysts are predicting that such a move could cause the markets to drop anywhere from 5-10%. Taking the extent of the surge from the December lows into account, a pullback of up to 10% should be expected regardless of the state of the trade negotiations between the two economic powerhouses.

Nonetheless, investors should keep an eye on the market in the near term for opportunities to pick up some top-quality dividend stocks in the event the correction occurs.

Let's take a look at two stocks that might be interesting picks for your portfolio.

Royal Bank (TSX:RY)(NYSE:RY)

Royal Bank generates adjusted earnings of better than $1 billion per month. With a market capitalization of more than $150 billion, the bank has the scale and financial capacity to invest the necessary funds to ensure that it remains competitive in a rapidly changing financial services industry. The company's clients are increasingly using the new digital platforms to interact with the bank, and that trend is expected to continue.

Royal Bank is targeting medium-term earnings growth of 7-10% per year. As a result, investors should see the dividend continue to increase in that range. The current payout provides a yield of 3.9%.

The stock is trading near its all-time highs after a nice rally over the past four months. A dip back below $95 per share from the current price of $106 should be an attractive entry point.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge has turned the corner on its transition program, and the market is just starting to realize the progress that the company has made. Enbridge brought four subsidiaries in-house last year in a move that simplified the corporate structure. Management also found buyers for close to $8 billion of $10 billion in non-core assets that were identified as being outside the new focus on regulated businesses.

Enbridge is now able to fund its $16 billion capital program and generous dividend payout without issuing new stock. The company intends to raise the dividend by 10% next year, and investors should see annual increase of at least 5% afterwards.

The existing payout provides a yield of 6%.

The stock appears attractive at the current price of $49 per share, and any downside should be viewed as a buying opportunity. It wouldn't be a surprise to see Enbridge take a run at the 2015 high of $65 in the next two years.

The bottom line

Royal Bank and Enbridge are industry leaders with strong track records of dividend growth. Both stocks should be on your radar in the event the broader market corrects in a meaningful way. If you only buy one, I would probably make Enbridge the first choice.

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