Worried About a Tanking TSX Index? Find Safety in These 3 Dividend-Paying Utility Stocks

Description

It looks like the latest TSX bull run has ended — or at least been interrupted. After four months of rising stock prices, a trade spat between China and the U.S. sent global indices lower, while stalling GDP growth, and lower oil hit the TSX a week later. Over the month of May, the S&P/TSX Composite Index fell about 2.75%, which, while not as large as the losses seen in U.S. markets, could be the start of something bigger.

Given the TSX's heavy exposure to the oil and gas sector, it's unlikely that the index will do well while oil is weak. The problem is compounded by U.S. president Donald Trump's Mexico tariffs, which show that Canada's recent agreement with the U.S. is no guarantee that trade between the two countries will flow freely.

In this environment, many staple TSX sectors stand to lose out — chief among them, financials and energy. However, there is one category of stocks that's well-known historically for providing safety amid this type of chaos. This sector as a whole is one of the most reliable and dependable on the TSX and pays among the highest dividends of any class of TSX stocks. I'm speaking, of course, about utilities. The following are three of the best on the TSX today.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a major utility that owns power-generating assets across Canada and the U.S.

One of the best-performing TSX utilities over the past decade, it has risen more than three-fold since 2009 (not even counting its generous dividends).

In its most recent quarter, Algonquin's earnings per share rose to $0.17, up from $0.04 in the same period of 2018. The company is currently embarking on an ambitious expansion project that will add 600 megawatts of new wind power capacity in the States. The stock's dividend currently yields nearly

5%

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a legend in the Canadian utilities space. With a 45-year streak of raising its dividend, it's one of the most reliable dividend payers in Canada. The company is currently working on a $17 billion capital-expenditure project that it says will increase its rate base. In its most recent quarter, Fortis posted $0.74 in adjusted net earnings, up from $0.7 in the same quarter a year before. The stock pays a dividend that yields about 3.5%, and management aims to raise the dividend by 6% per year.

Emera

Emera (TSX:EMA) is a Nova Scotia-based utility that owns assets across Canada, the U.S., and the Caribbean. The company is growing steadily, having increased its earnings to $312 in its most recent quarter (from $270 million in the same quarter a year before). Previously, an overly high payout ratio was a concern for this stock; however, in recent quarters, earnings have caught up with payouts and the company's dividend is now sustainable. The stock currently yields 4.5%.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
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Date
2025/09/17
Date Created
2019/06/03
Author

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