3 Stocks to Buy as Bond Yields Collapse

Description

The Canadian yield curve inverted sharply after the Trump administration announced tariffs on Mexico late last week. The rout in bond yields has spilled into this week, and there are no signs it will slow down in the face of global trade turmoil. Bank of Canada deputy governor Carolyn Wilkins warned that the yield curve inversion reflected “a concern about the prospects for growth.” Central banks are hitting an increasingly dovish turn as we approach the halfway point of 2019.

In the United States, **JPMorgan** strategists have said that their target for the 10-year yield is a shocking 1.75%. It has also shifted its projection to two U.S. Federal Reserve rate cuts.

Below are three stocks to consider as bond yields take a beating.

Hydro One

Hydro One (TSX:H) stock closed out June 3 at yet another 52-week high. Shares have now climbed 13.7% in 2019 so far. The stock is up 18% from the prior year. Last month, I discussed why Hydro One and other utility stocks like **Fortis** were well positioned to thrive in this environment. Utility stocks briefly fell out of favour as the Bank of Canada held firm on its rate-tightening path, but turbulence in 2018 has blown that forecast apart.

Hydro One put together a very solid first quarter, which was buoyed by catch-up revenues, favourable weather, and lower taxes. The company announced a 5% increase in its quarterly dividend to $0.2415 per share. This represents a 4.1% yield. Hydro One is a strong target in this environment. It boasts a monopoly in Ontario and a wide economic moat. Even after its run up in the first half of 2019, its forward P/E of 15 puts it at solid value for prospective buyers.

BCE

BCE (TSX:BCE)(NYSE:BCE) is one of the largest telecommunications companies in Canada. Like utilities, telecoms have emerged as another top target for income investors in the low-rate environment that persisted after the financial crisis. Shares of BCE have climbed 13.2% in 2019 as of close on June 3. The stock is up 2.3% month over month.

In the first quarter, BCE achieved adjusted EBITDA growth of 6.9%. BCE reported 50,000 postpaid net wireless additions, continuing a trend in strong wireless growth for telecoms in recent years. Cash flows from operating activities rose 1.3% year over year to $1.51 billion. The board of directors announced a quarterly dividend of $0.7925 per share. This represents an attractive 5.1% yield.

BCE also boasts a wide moat and has achieved dividend growth for 10 consecutive years. Investors who are looking for telecom exposure should seek out this stock that offers stability and a high yield.

H&R REIT

H&R REIT (TSX:HR.UN) is a Toronto-based real estate investment trust (REIT) with holdings in Canada and the United States. Shares of H&R have climbed 10.5% in 2019 as of close on June 3. The stock is up 12% from the prior year.

Back in mid-March, I'd explained why income investors should trust REITs in 2019. REITs had experienced downward pressure for the same reason as utilities at telecoms over the past two years, but these income vehicles are now enjoying a reversal of fortunes. Not only is H&R an attractive target because of this, but it also offers the strongest dividend of the three equities we have covered today. It pays its dividend monthly as well.

H&R REIT last paid out its monthly dividend of $0.115 in the middle of May. This payout represents a tasty 6% yield.

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