TFSA Investors: 2 Dividend Stocks to Own in 2020

Description

In its July meeting, the Bank of Canada elected to hold its overnight rate target at 1.75%. The global economic outlook has worsened in 2019, and central banks in Europe and the United States have made it clear that they are prepared to move to more accommodating monetary policy.

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The Bank of Canada, on the other hand, has indicated that it is not yet ready to move downward.

However, the pressure will continue to rise if the United States Federal Reserve ramps up what is expected to be the next round of monetary easing. Many expect the Fed to move forward with a rate cut later this month.

CIBC and **TD Bank** analysts are projecting that the BoC will follow suit in 2020, at the earliest. Still, investors were witness to sharp reversals in late 2018. Further economic pressure may see the BoC waver and cut rates sooner than expected.

In any case, investors need to prepare for a dovish environment into 2020. This is one of the reasons that TFSA investors should be targeting income-generating stocks that will thrive with low rates. Today I want to look at two stocks that fit the bill. Let's dive in.

Fortis

Utilities have performed well over the past decade. Low interest rates provide a favourable investment environment for these companies. On the trading side, those seeking income have turned to utilities, as they offer secure and steady income.

Bond yields have plummeted in recent months, which has thrust utilities and other income-generating equities into the spotlight.

Fortis (TSX:FTS)(NYSE:FTS) is one of the best of the bunch. Shares had climbed 15% in 2019 as of close on July 16.

The company is set to release its second-quarter 2019 results at the end of this month. Fortis boasts a wide moat, and it has committed to a capital investment plan that will greatly expand its rate base into the next decade.

The stock last paid out a quarterly dividend of $0.45 per share, which represents a 3.4% yield. Fortis has achieved 45 consecutive years of dividend growth, and the company forecasts increases into 2023 on the back of improvement in its rate base.

Hydro One

Hydro One (TSX:H) possesses a monopoly in Ontario, Canada's most populous province. The company boasts a wide moat, but the tug-of-war between private and public ownership has frustrated shareholders.

This cost Hydro One its deal for the U.S.-based **Avista** earlier this year, but the stock has performed well in the months since U.S. regulators torpedoed the merger.

The Ontario utility lost out on a large acquisition, but this did provide a boost to its balance sheet. This should be music to the ears of dividend investors, even if it means Hydro One will be forced to re-orient its growth strategy going forward.

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Hydro One underwent a huge shake-up in management at the behest of the new Ontario government, but this should not deter investors this summer.

In the first quarter, Hydro One bumped up its quarterly dividend payment to $0.2415 per share. This represents an attractive 4.1% yield.

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