A Top Dividend Stock to Buy in a Volatile Market

Description

Equity markets are giving back some of their 2019 gains amid growing concerns that we could be headed for an economic downturn.

What's going on?

Bond markets are flashing recession warnings all over the place as a result of increasing fears that the trade battle between the United States and China will push the two countries into an economic downturn and take the rest of the planet along for the ride.

As a result, global funds are seeking safe-haven assets, and investors are wondering which stocks might be the best picks for their portfolios to ride out the turbulence.

Let's take a look at **Fortis** (TSX:FTS)(NYSE:FTS) to see why it might be an attractive stock to buy in the current environment.

Stability

Fortis is a utility company with roughly $50 billion in power generation, electric transmission, and natural gas distribution assets located in Canada, the United States, and the Caribbean. Most of the businesses operate in regulated environments, meaning the revenue stream and cash flow tend to be predictable and reliable.

Homeowners and businesses need to turn on the lights, heat their buildings, and keep essential equipment and appliances running regardless of what is going on in global markets.

Dividends

Fortis grows through acquisitions and organic development projects. The company has a strong track record of successfully integrating large takeovers and its current five-year capital program of more than

$17 billion should boost the rate base enough to support annual dividend increases of at least 6% through 2023.

That's pretty good guidance for dividend investors who rely on steady and growing distributions. Fortis has increased the payout every year for more than four decades.

Upside

The flight to safety is driving down bond yields, which makes borrowing costs cheaper for companies such as Fortis that use debt as part of their program to fund capital projects. As a result, the company should have more cash available for distributions as the cost of debt drops.

Falling interest rates should also benefit the company, as investors are more likely to buy reliable dividend stocks that offer better yields than fixed-income alternatives such as GICs, which pay less when interest rates slide.

Should you buy?

Fortis normally holds up well when the broader stock market takes a hit. In fact, the share price has gained about 20% in 2019 and currently trades close to its all-time high. The dividend pays a solid 3.3% yield with steady growth expected in the coming years.

If you have some cash on the sidelines and are searching for a stable buy-and-hold dividend stock, Fortis deserves to be on your radar today.

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