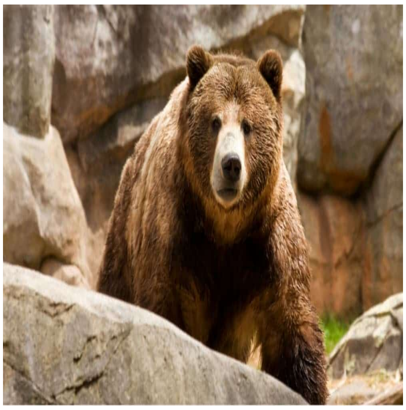

Danger: 2 Stocks to Hold in a Bear Market

Description

The panic surrounding the possibility of a global recession has died down somewhat in late August, but there is still reason to be concerned as we look ahead to September. Canada's yield curve inversion fell to its deepest level since the beginning of this century this month. Inflation has stayed within the Bank of Canada's (BoC) target, but there are murmurs that the central bank may move early on its projected rate cut.

A second rate cut from the U.S. Federal Reserve will apply more pressure to the BoC. However the timing works out, investors can expect a downward move in the coming months. Gold stocks have performed well in this environment, but today I want to focus on utilities.

Income investors have historically fled to stable alternatives like utility stocks when bond yields plummet. Utilities tend to boast a wide moat and are shielded from turbulence in difficult economic times, as they provide essential services. With this in mind, let's look at two top utility equities that are worth picking up today.

Hydro One

Hydro One (TSX:H) is a top utility that boasts a monopoly in Ontario, Canada's most populous province. Shares had climbed 21.8% in 2019 as of close on August 22. The stock has delivered modest annual returns since its IPO in late 2015, but tailwinds on the macro and micro side are finally putting the stock on firm ground.

In the second quarter, the company saw revenue and earnings fall year over year due to unfavourable weather and higher financing costs. Still, Hydro One has seen improvement in adjusted EPS and revenues in the first six months of 2019 compared to 2018. The stock offers a quarterly dividend of $0.2415 per share, which represents an attractive 4% yield.

Hydro One stock boasts a favourable price-to-earnings ratio of 15.9 and a price-to-book ratio of 1.5.

Emera

Emera (TSX:EMA) stock had climbed 33.5% in 2019 as of close on August 22. Shares have averaged annual returns of 13% over the past 10 years. This growth trajectory combined with a solid dividend payout makes Emera once of the most attractive dividend stocks on the TSX.

The company released its second-quarter 2019 results on August 12. Net income rose to $103 million, or $0.43 per share, compared to $90 million, or $0.38 per share, in the prior year. In the year-to-date period, Emera has reported net income of $415 million or $1.75 per share over $361 million, or $1.56 per share, in 2018.

Emera last paid out a quarterly dividend of $0.5875 per share. This represents a solid 4.1% yield. The company has achieved dividend growth for 12 consecutive years. In the first six months of 2019, Emera reported operating cash flow of $775 million compared to $767 million in the previous year. The company has significantly strengthened its balance sheet, and this should continue with more asset sales to come.

The stock had a favourable P/E ratio of 17.5 and a P/B of 1.8 at the time of this writing. Both utilities are hovering around 52-week highs, but I like macro trends to continue to push them higher into late 2019 and beyond.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:H (Hydro One Limited)

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1. Business Insider
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aocallaghan