2 Dividend Stocks That Will Protect Your Portfolio

Description

Earlier this month, I'd discussed one tactic investors could pursue in the event of a recession. Gold's status as a haven has been solidified in a turbulent 2019. Today, we are going to explore another strategy to consider if a recession arrives in the near future.

The two stocks I will cover today boast a wide economic moat in their respective sectors. These equities are well equipped to be productive, even in a difficult economic environment. That is why I'm eyeing both right now. Let's dive in.

Hydro One

Hydro One (TSX:H) is a utility that boasts a monopoly in the province of Ontario. Shares hit a 52-week high during the past week's trading. The company has been the beneficiary of solid internal results and some promising macro trends.

The Ontario utility released its second-quarter 2019 results on August 9. Unfavourable weather, higher financing costs, and an increase in OM&A costs contributed to a 21% year-over-year decline in adjusted earnings per share. However, for the first six months of 2019, Hydro One posted revenues of $3.17 billion, which were up from $3.05 billion in H1 2018. Adjusted diluted EPS also climbed to $0.78 from $0.68 at the same time in the previous year.

Macro trends are promising for Hydro One and other utilities right now. In early June, I'd discussed the collapse in bond yields and suggested that investors move into utilities and other stable dividend-yielding stocks. The rout in bond yields has intensified into late August, and this should inspire investors to put their trust into utilities. When the Bank of Canada moves forward on its own rate cut, investors will be even hungrier for income vehicles that can outpace inflation.

To top it off, Hydro One offers a quarterly dividend of $0.2415 per share, which represents a 3.9% yield.

Saputo

Saputo (TSX:SAP) is a Montreal-based dairy giant, and one of the top 10 dairy processors in the world. Shares have dropped 9% over a three-month span as of close on August 20. The stock took a hit as earnings fell short of analyst expectations, though revenue did post 17.9% growth on the back of acquisitions.

The company released its first-quarter fiscal 2020 results on August 8. Revenues rose 12.3% year over year to $3.66 billion and adjusted EBITDA increased 16.4% to $50.5 million. Saputo managed to run past expectations in Q1 FY 2020, as it reported net earnings of $121.4 million, or $0.31 per share. One of the surprises in the call was Saputo CEO Lino Saputo Jr. announcing that the company was considering entrance into the lucrative vegetable protein market.

Saputo's dairy business is stable and bolstered by government protections. Its potential foray into the plant-based proteins space is worth getting excited about, but we will have to see how such an effort materializes. Saputo stock had a price-to-earnings ratio of 25 at the time of this writing, and a price-to-book of three. This is pricey relative to industry peers.

The stock offers a quarterly dividend of $0.165 per share. This represents a modest 1.6% yield. Saputo has achieved dividend growth for 19 consecutive years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)
2. TSX:SAP (Saputo Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/05
Date Created
2019/08/25
Author
aocallaghan