2 Steady Dividend Stocks to Own Through a Market Correction

Description

The **TSX Index** is down 500 points in recent days and the Dow briefly slipped 1,000 points as global recession fears return to the headlines.

Volatility is a natural part of the equity markets, and healthy corrections often bring an overbought market back in line with reality, giving investors opportunities to acquire top-quality stocks at reasonable prices before the next move to the upside.

That said, downturns can be steep and punishing for a portfolio, and it takes a lot of patience to ride out a pullback, especially when it begins to look like a crash.

The bull market is arguably getting a bit long in the tooth, so investors are beginning to make portfolio decisions to hedge against the next extended decline. One way to do that is to buy quality dividend stocks that tend to hold up well when the broader market hits a rough patch.

Let's take a look at two stocks that are doing exactly what you would expect in the recent volatility and should be solid picks to build some defence into your portfolio.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of those stocks you can simply buy and forget about for decades.

The utility company owns $50 billion in power generation, natural gas distribution, and electric transmission assets in Canada, the United States and the Caribbean.

People and companies have to turn on the lights, heat their buildings, and cook regardless of what's happening in the global financial or geopolitical sphere, so Fortis tends to be relatively recession-resistant.

The majority of the company's revenue also comes from regulated businesses, meaning that cash flow should be reliable and predictable. This is important for dividend investors who rely on steady payouts.

Fortis grows through acquisitions and organic development. The current capital plan of $18.3 billion will see the firm make investments across the company that are expected to significantly boost the rate base over the next five years.

This should in turn drive adequate cash flow growth to support ongoing annual dividend increases of about 6%. The company just raised the dividend by 6.1% and has hiked the distribution for 46 straight years.

The stock is trading at its 12-month high. Investors who buy today can pick up a 3.4% yield.

BCE

BCE is another company that provides services that people need and are unlikely to cut. Consumers and businesses rely heavily on mobile phones and internet access to manage daily activities, and most Canadians will cut out other discretionary spending before they terminate their TV subscriptions.

BCE has a strong balance sheet and is investing in new technology such as fibre optic lines that run right to the premises of its customers to protect and expand the wide moat around its businesses.

The nature of the Canadian communications industry enables the top players to increase fees when they need some extra cash to fund network investments, and new revenue opportunities, such as home security, are helping boost average revenue across the customer base.

BCE generates solid free cash flow and raises the dividend by roughly 5% per year. The stock has picked up a tailwind in 2019, as falling bond yields make borrowing cheaper for the company and leave more cash available for distributions.

Declining rates on competing investments such as GICs have also helped drive investors to high-yield stocks, such as BCE, that are viewed as being safe income bets.

BCE is also trading near its 2019 high. Investors can pick up a 4.9% yield.

The bottom line

Fortis and BCE should be solid stocks to own through a market downturn. In fact, their appeal as a safe haven is part of the reason the share prices are trading near record levels. If you're searching for low-beta stocks with reliable yield, these companies deserve to be on your radar.

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