



## TFSA Investors: 3 High-Yield Dividend Stocks for the Next Bear Market

### Description

Are you worried about a coming bear market?

You're not alone.

Hedge fund manager Paul Singer sounded the alarm about a bear market last June, joining a chorus of money managers who fear the same. In a MarketWatch story, he was quoted as saying that *"the global financial system is on the risky end of the spectrum,"* and that there is a *"possibility of a severe market downturn."* Citing high levels of global debt and extensive use of derivatives, he claimed that the world economy faces unique and unprecedented risks.

Currently, we're in the middle of an unusually long global economic expansion, and 70% of economists are calling for it to end in the next two years (according to one poll). With economists talking about recessions and money managers sounding the alarm about bear markets, it may be time to consider recession-proofing your portfolio. While treasury bills are normally considered the absolute safest bet in such circumstances, the following are three recession-ready stocks for those with a little more risk tolerance.

### Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a regulated utility that boasts [46 uninterrupted years of dividend increases](#) and at least 13 years of out-performing the TSX. Since 2006, Fortis has more than tripled the TSX's return, and that's not even including dividends.

Why is Fortis such a good stock for recessions?

Simply, because of the industry its in. Although there's a case to be made that Fortis is better than most utility stocks (it has outperformed the TSX utilities sub-index over the past five years), merely being a utility is what makes it recession-ready. Utility companies sell heat and light, a basic life essential that people can't cut out completely. People would rather sell their car or cut their cell phone bill than be cold. So utilities tend to be fairly stable in recessions. Beyond that, the company has a [solid dividend yield](#)

(about 3.4%) and grew its earnings by 200% in its most recent quarter.

## Algonquin Power & Utilities

**Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) is another utility stock. Like Fortis, it has a huge edge during any recession owing to the mere fact that it's a utility. However, Algonquin arguably has a few advantages over Fortis that investors should know about.

First, its *long term* earnings growth is better, having grown its year-end net income from \$84 million to \$184 million over the past four years. Fortis' most recent quarter was a huge winner, but its long term growth is not as good as Algonquin's.

Second, Algonquin is a much smaller company with more room to grow.

Third, AQN has history on its side, having outperformed FTS by 40% over the last five years.

Fourth, Algonquin's dividend yield is higher than Fortis', at 4.14%.

## BCE

Last but not least, we get to **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), a telecommunications company that provides cellular, TV and internet service. It also owns the CTV television network.

As a telecommunication company, BCE is not *quite* as recession-ready as the average utility stock. However, cell and internet service are becoming quite indispensable to modern life. During the last recession, **The McClatchy Company** reported that Americans were not cutting out cell and internet service, but simply downsizing to more modest packages. Assuming the same trend persists in Canada, then we might see Telcos like BCE taking a *modest* hit, but nothing compared to what would happen to, say, banks or exporters.

As for BCE specifically, it's a income play with a 4.9% dividend yield and cumulative dividend increase of 117% over the past 11 years. The company's earnings have been somewhat flat over the past four years, though, so remember that this is a purely defensive play without huge upside.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BCE (BCE Inc.)
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