2 Dividend Aristocrats I'd Buy for 2020

Description

2020 is shaping up to be another volatile year with a risk of recession that's apparently the highest it's been in recent memory. While the year may not introduce the next market crash that everybody's been talking about lately, it'd still be wise to ensure that you're paid a handsome dividend for riding a market roller coaster ride that could get even scarier with a looming U.S. election.

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Consider **TD Bank** (TSX:TD)(NYSE:TD) and **CN Rail** (TSX:CNR)(NYSE:CNI), two Canadian dividend aristocrats that have corrected in recent months. Both firms have the capacity to support double-digit dividend hikes every year through thick and thin, and both are ideal buy-the-dip candidates for those looking to batten down the hatches going into the new year.

TD Bank

With an ultra-conservative loan book and a low-volatility retail earnings stream, TD Bank is viewed as a premium bank that deserves a premium multiple relative to its peers in the Big Six.

Over the past year, TD Bank stock pulled back along with the broader basket of bank stocks over industry-wide macro headwinds. More recently, the bank was a casualty of the brokerage price wars that saw **TD Ameritrade** slash its trading commissions to $0, an unexpected move that acted as salt in the TD Bank's wounds.

In a prior piece, I noted that the adverse reaction in response to TD Ameritrade's commission elimination was a severe overreaction and that a new business model focused on services would "go above and beyond just trade execution."

At the time of writing, TD Bank stock trades at just 10.5 times next year's expected earnings with a 4% yield.

Most analysts are still reluctant to pound the table on bank stocks as we head into year-end, but as macro headwinds gradually fade in the new year, a series of analyst upgrades could be rebound fuelfor the bank stocks, TD Bank in particular, which always seems to come roaring out of the gate.

CN Rail

CN Rail (TSX:CNR)(NYSE:CNI) is another boring dividend aristocrat that's been raising its dividend for decades. If you systematically bought the stock on dips over time, with little to no consideration for how the broader economy is fairing, you would have done incredibly well over time.

CN Rail's CFO warned that a softening economy would negatively impact freight volumes; shares of CN Rail, along with many other rail stocks, have been grinding to a halt.

Given that CN Rail is a perennial outperformer with a knack for surprising to the upside in spite of unfavourable economic conditions, I think the now lowered bar set ahead of CN Rail has created a terrific entry point for investors who desire to form an "all-weather" foundation for their portfolios as we head into a year that's sure to be plagued with uncertainty.

CN Rail stock sports a 1.9% yield, which is slightly higher than that of the five-year historical average yield of 1.6%. With further double-digit dividend hikes a near certainty and a valuation that's a tad cheaper than historical averages, CN Rail is a prudent bet that could make up for lost time in the new year.

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