Avoid the “October Curse” With These 3 Dividend Stocks

Description

The October Curse — is it real or just a perceived phenomenon? Or is there an element of “life imitating art” about the supposed downturn experienced by the markets on the 10th month of the year? While risk is out and flexibility is in, some investors may be exercising more caution than usual this month, but not necessarily because of some old superstition.

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A nerve-wracking time on the markets

So far, the month has gone by without too much depreciation facing the general investor — though let’s not tempt fate. After all, **Aphria’s** Q1 rally notwithstanding, it’s been a tough month to hold shares in risk-riddled spaces like Canadian cannabis. Commodities are up, with consumer staples such as corn rising on the week, and precious metals are also rising — both sure signs of investors migrating towards safety.

With market stressors massing on the horizon, it might be a good time to double down on some quality defensive stocks like **Canadian National Railway** (TSX:CNR)(NYSE:CNI). CN Rail is one of the top wide-moat stocks on the TSX and is possibly more diversified across industries than almost any other business outside of the key financials.

The reason for this sturdy diversification is found in CN Rail’s business with just about every area of Canadian industry. If you can ship it, CN Rail carries it. Energy investors looking for a low-exposure play on oil also have a solid investment path in CN Rail due to its innovation in crude by rail, CanaPux, a relatively safe means of bitumen and heavy crude transportation that sidesteps the uncertainty of the pipeline industry.

Wide-moat dividend stocks offer defensive income plays

As a wide-moat telecom pure play, **Telus** has the edge over both **BCE** and **Rogers**. While those other two giants of Canadian telecoms have their sights set on media dominance, Telus is focused on the communications side of operations, offering investors a more direct route of exposure to the relatively assured upside and long-term financial security of the Canadian mobile and internet markets.

An outperforming Canadian insurance company, **Manulife Financial** has returned just shy of 18% compared to the industry's 10% over the past 12 months. While Manulife's share price volatility is higher than that of the baseline TSX index, the stock is still fairly valued with a P/B ratio in line with its peer average. In terms of market share, Manulife is the top Canadian insurer.

In terms of passive income, CN Rail's dividend yield of 1.87% is the lowest of the three, though its stock offers the highest protection from a downturn given its vast spread of strong, industrial connections. Telus dishes out a tasty yield of 4.7%, while Manulife rewards shareholders with a distribution yielding 4.12%.

The bottom line

TSX stocks such as CN Rail, Telus, and Manulife all display the properties of recession-busting investments. Each stock offers a stable distribution of passive income that can weather a downturn, whether it's brief, like the so-called October Curse, or protracted, such as a global recession, along with the long-range promise of safe capital appreciation.

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