2 of the Strongest TSX Income Stocks Are Solid Buys This Week

Description

Two of the strongest stocks on the TSX are looking like solid buys this week, though for somewhat different reasons. Today, we'll take a look at **Canadian National Railway** (TSX:CNR)(NYSE:CNI), a huge wide-moat company in the middle of an industrial dispute, and **Fortis** (TSX:FTS)(NYSE:FTS), one of the toughest dividend stocks on the TSX.

CN Rail and Fortis are a great pair of sturdy tickers to add to a brand-new portfolio built around passive income. As a duo of buy-and-hold recommendations, they're a classic play and can add peace of mind as well as long-term security for stock investment beginners.

A strong buy for dividend growth

Fortis raises its dividend every year, and this year is no different. For reliability in dividend growth, Fortis has to be one of the top stocks on the TSX and certainly lives up to its name. So, this year marks the 46th straight year in a row that the solid passive-income asset has hiked its dividend, up 6.1%, representing a $1.91 annual raise. This brings the forward yield to 3.56%.

Only one other company in Canada, **Canadian Utilities**, has this kind of track record of yearly dividend growth. And with a 6% annual hike in payouts over the next five years, Fortis can be added to a buy-and-hold portfolio without any major qualms. Sitting on energy assets worth $53 billion, Fortis is the one company a new TSX investor should think about adding to a low-risk portfolio of forever stocks.

A defensive play on strong diversification

CN Rail is making headlines this week, as over 3,000 conductors, yard workers, and other rail staff are on strike. The dispute has arisen from a weakening North American economy that, in turn, has seen lower demand for services with the knock-on effect of a proposed job cull. Since a stymied rail service will only further harm the economy, however, the prime minister has been called upon to intervene.

So, why invest? One of the widest of economic moats to be found anywhere on the TSX, CN Rail is a stable play on diversification and reliable passive income. Freight volumes may be down at present, though investors taking a long view could argue that a recovery in the economy could be forthcoming upon a positive change in the political environment south of the border.

From agriculture to the materials industry, retail outfits to energy companies, almost every aspect of the Canadian economy is represented by CN Rail. In many cases, CN Rail's customers are loyal to the rail operator, making the company's dividend as secure as they come. The stock is also a direct play on the oil patch, since CN Rail is active in the crude-by-rail initiative via its innovative CanaPux system.

The bottom line

Buying shares in a wish-list company when it's generating negative headlines is a classic contrarian play. Indeed, snapping up CN Rail stock in the event of a dip is a strong play on weakness. However, with strikes being generally short-lived, and CN Rail being classically defensive, the window of opportunity may be small. Either way, both CN Rail and Fortis are strong buys this week for a new income portfolio.

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2. NYSE:FTS (Fortis Inc.)
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Date
2025/08/13
Date Created

2019/11/20
Author
vhetherington