TFSA Investor: 2 Defensive Stocks to Buy During the China Coronavirus Outbreak

Description

Global stock markets are getting hit as investors move to cash or shift funds to safe-haven assets. The pullback isn't surprising, as China continues to report higher confirmed cases of the Novel coronavirus (nCoV). At the time of writing, the number of cases is above 2,800.

Canada has its second presumptive case and five have been reported in the United States. In total, 10 countries along with China are now reporting cases of the virus.

China is working hard to contain the outbreak as concerns emerge that the virus could be transmitted *before* symptoms occur, which would make it even harder to battle, as people could pass the virus on to others without knowing they are infected.

The U.S. market fell more than 500 points in early trading on January 27. The **TSX Index** also slipped more than 1%. These are not significant moves, however, and given the already elevated level of the markets after the massive 2019 rallies, the dips should be viewed as normal parts of the process.

Nonetheless, it makes sense for investors to be cautious in the current environment. While the coronavirus fears might be overblown, the market could be looking for a reason to start a long-anticipated correction.

With that thought in mind, let's take a look at two dividend stocks that might be interesting defensive picks today.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with assets in Canada, the United States, and the Caribbean.

The businesses produce power, transmit electricity, and deliver natural gas to companies and homes. These are segments of the economy that should be recession-resistant and are largely unaffected by instability in global markets.

In fact, Fortis can benefit when global investors start to get nervous. The move to safety tends to drive down bond yields as big money shifts to government debt. Lower yields in the bond market can reduce borrowing costs for Fortis, which uses debt to fund capital projects.

Falling yields on fixed income assets can also drive more income investors to quality dividend stocks, such as Fortis.

The company has a long track record of dividend growth and intends to raise the payout by an average rate of 6% per year through 2024. The share price should hold up well if the broader market takes a big hit. Investors who buy today can get a 3.3% yield.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications player, with a market capitalization of $56 billion. The company's size gives it an advantage, as BCE has the financial capacity to make the billions of dollars of investments needed to ensure it remains competitive and delivers the services its customers demand.

BCE is expanding its fibre-to-the-premises network. This provides customers world-class-connectivity and helps BCE protect its wide moat. Opportunities for growth lie in increased demand for high-speed broadband as well as the trend toward smart home upgrades and security services that include remote monitoring.

BCE has a large capital program, but the business still generates adequate free cash flow to support steady annual dividend hikes. The current payout provides a yield of 5%.

As is the case with Fortis, BCE's business shouldn't be impacted by instability in global financial markets and the stock tends to benefit when borrowing costs fall and yields drop on GICs and other fixed-income investments.

The bottom line

Fortis and BCE pay attractive and growing dividends and should be solid picks for investors who are searching for defensive stocks to add to their TFSA portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:FTS (Fortis Inc.)
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aswalker