



## 2 Top Canadian Dividend Growth Stocks to Buy on Market Fears

### Description

The sharp decline in stock markets across the globe, driven by coronavirus fears and concerns that a global economic meltdown is imminent, has created an opportunity for investors to acquire quality dividend-paying stocks at an attractive valuation.

The **Dow Jones Industrial** has plunged by 11% since the start of 2020 and recently suffered its largest one day decline ever, while the **S&P/TSX Composite Index** lost a more modest 2%.

There are fears that the damage to global stock markets will be as severe as the 2008 global financial crisis. While considerable uncertainty surrounds the outlook for stocks and the global economy, this has created a monumental buying opportunity, with many quality companies trading at attractive valuations.

Let's take a closer look at two top Canadian defensive dividend growth stocks every investor should consider buying.

### Leading renewable energy utility

**Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is one of the largest publicly listed renewable energy utilities, with a globally diversified portfolio of assets across North and South America, Europe and Asia.

Despite the latest market correction, however, it's still up by 13% since the beginning of 2020 and pays a sustainable quarterly distribution yielding a juicy 4%.

Brookfield Renewable possesses a range of robust defensive characteristics, which help shield it from economic slumps and market downturns.

Among the most significant of these is the inelastic demand for electricity. Brookfield Renewable also has a wide, almost insurmountable economic moat because it operates in an industry with steep barriers to entry, which is heavily regulated protecting it from competition.

There is also the contracted and regulated nature of the electric utilities revenues, with its power purchase agreements linked to inflation and virtually ensures Brookfield Renewable's earnings.

The partnership also possesses solid growth potential, as it's in the process of completing a range of deals, including the acquisition of outstanding shares of **TerraForm Power** and the purchase of a 50% interest in X-Elio a leading solar power developer with 972 megawatts of operating assets.

Brookfield Renewable boasts a rare mix of solid defensive and [growth characteristics](#), making it the ideal hedge against the rising uncertainty surrounding financial markets and the global economy. While investors wait for stocks to rebound, they will be rewarded by its sustainable distribution yielding a tasty 4%.

## North American rail operator

**Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), which operates North America's only transcontinental railway connecting the Pacific, Atlantic and Gulf of Mexico coasts, has lost 4.5% since the start of 2020. This has created an opportunity to acquire a [quality transport infrastructure](#) provider paying a sustainable dividend yielding 2%.

The railway industry is heavily regulated, with significant barriers to entry forging a wide moat that protects Canadian National from competition. Those industry characteristics also create an oligopolistic market, further protecting protects the company's earnings by allowing it to be a price maker rather than a price taker.

The lack of competition and oligopolistic market conditions coupled with rail being the only cost-effective and sustainable method of transporting bulk freight means that demand for Canadian National's services is relatively inelastic.

For these reasons, economic slumps and market corrections have very little material impact on Canadian National, making it an ideal defensive stock during times of uncertainty.

Canadian National continues to unlock considerable value for investors, outpacing the market over the long-term. An investment in the rail operator a decade ago would have delivered a total return of 384%, if the dividends were taken as cash, which is a compound annual growth rate (CAGR) of 16%.

## Foolish takeaway

Growing economic uncertainty and the rising risk of a global recession make now the time for investors to hedge against the threat of an economic slump and prolonged bear market.

Brookfield Renewable and Canadian National possess solid defensive attributes, making them ideal stocks in the current difficult market environment, particularly with them trading at attractive valuations and rewarding investors with a sustainable dividend.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CNR (Canadian National Railway Company)

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