2 Dividend Stocks to Trust in a Bear Market

Description

The TSX and Dow Jones both fell into an official bear market on March 11. This ends one of the longest bull markets in history. Futures were down sharply before markets opened on March 12. The Trump administration announced a 30-day travel ban between the U.S. and Europe in response to the COVID-19 outbreak.

Financials and energy stocks, which are heavy hitters on the TSX, have been hammered over the past two weeks. Today, I want to look at two stocks that are worth trusting in a turbulent market. These defensive equities can offer some income in your portfolio, as we continue to digest the ramifications of this global pandemic. Let's dive in.

Hydro One

Utilities have historically been a reliable defensive option for investors. **Hydro One** (TSX:H) boasts a monopoly in Canada's most populous province. Its shares have dropped 9.9% over the past week as of close on March 11. The stock is still up 28% year over year.

Hydro One and other utility stocks have benefited from the dovish rate environment that has driven income investors back into the arms of equities. Bond yields have continued to take a beating, and central banks are softening their monetary policy even further in response to this crisis. This is a good reason to keep faith in utilities.

In the fourth quarter of 2019, Hydro One reported adjusted earnings per share of $0.35 compared to $0.30 in the prior year. Annual productivity savings rose 49% year over year to $202 million. Hydro One offers a quarterly dividend of $0.2415 per share. This represents a 3.8% yield. The stock last had a favourable price-to-earnings ratio of 19 and a price-to-book value of 1.6. Shares last had an RSI of 30, which puts Hydro One just outside oversold territory.

Fortis

The last significant pullback that investors endured was in late 2018. At that time, I'd suggested that Fool readers should jump into **Fortis** (TSX:FTS)(NYSE:FTS) to protect their portfolios. Shares had climbed 15% after the article's publication. Fortis stock has dropped 9% over the past week.

In 2019, Fortis reported annual net earnings of $1.65 billion, or $3.79 per share — up from $2.59 per share in 2018. Fortis is an elite dividend payer on the TSX. The company has delivered 46 consecutive years of dividend growth, illustrating how reliable this stock has been for decades. It currently offers a quarterly dividend of $0.4775 per share, representing a 3.6% yield.

Fortis is well on its way to becoming a dividend king — achieving at least 50 consecutive years of dividend growth. Its five-year capital plan for 2020 through 2024 is targeted at $18.8 billion. The company expects to grow its rate base from $28 billion in 2019 to $38.4 billion by 2024. This growth will support growth in earnings and dividends. In its last quarterly report, Fortis announced it was targeting annual dividend growth of 6% through 2024.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:H (Hydro One Limited)

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aocallaghan