2 Dividend Aristocrat TSX Stocks to Buy Before a Recession

Description

When it comes to investing, it's paramount you find high-quality stocks you can rely on. This goes for all market conditions, but especially our current environment, since it's likely we may enter a recession. When looking for top stocks to consider, I like to always start with the Canadian Dividend Aristocrats list.

Because stock appreciation could be on hold for an extended period, you'll want to own dividend stocks. These stocks will help raise money and provide you some stable income while your portfolio rides out the storm.

You could also use that cash to reinvest in other high-quality businesses, while stocks are still cheap.

Businesses such as a consumer staple like **Metro** (TSX:MRU) or a utility stock like **Fortis** (TSX:FTS)(NYSE:FTS) are some of the best stocks to buy today.

Consumer staple aristocrat

Metro is one of the largest consumer staples in Canada, with more than 900 stores across the country.

As we have seen the last few weeks, consumer staple businesses such as grocery stores and pharmacies can continue to be relied on, even as we go through economic distress. Obviously, things won't be crazy like this all the time, but nonetheless, people need to eat every week.

Metro is a well-positioned company with brands that reach all segments of the market. In addition, its recent purchase of Jean Coutu has helped to boost its business. Not only does this help to bring more customers to its loyalty program, but it also helps drive cross-banner shopping.

Furthermore, adding pharmaceutical sales that now make up roughly 20% of its total revenue gives the company considerable diversification, which is never a bad thing.

As of last Friday's close, the stock was trading just over 20 times earnings and paying a dividend that's yielding upwards of 1.6%.

Utility aristocrat

Another high-quality industry to invest in through a recession is the utilities industry. Like the residential real estate industry, utility services are a must for consumers. And because of their regulated nature, the businesses make for highly predictable dividend-paying stocks.

Fortis is the best of the bunch, with assets in jurisdictions all across North America. The company gets roughly 97% of its revenue from regulated business. This makes the company highly sought after by investors.

More than 80% of its revenue comes from electricity transmission and distribution. It also gets a considerable amount of its revenue from natural gas distribution. Both are of high importance regardless of the economic environment.

In addition to both the electricity and natural gas services it offers, Fortis also gets roughly 3% of its business from power generation.

Utilities earn much higher returns when interest rates are lower, so the current environment is one in which they will thrive. Another factor that will drive the momentum in utilities is the demand for their shares due to the predictability of their cash flows.

Because Fortis's revenue is almost completely regulated and the demand for its services highly inelastic, Fortis's cash flow is extremely reliable. That stable cash flow in turn allows the dividend to be more reliable. So, you know when management increases the dividend, it's being done with confidence.

The dividend was yielding more than 4.1% as of Friday's close, and Fortis has been trading for just over 12 times earnings.

Bottom line

Weathering this storm can be difficult, but things will be a lot easier for investors who own high-quality dividend stocks. Not only are these two companies Dividend Aristocrats, but they are also some of the top businesses in their defensive industries.

This is why Metro and Fortis are two of the top stocks to buy as we likely head into a recession.

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