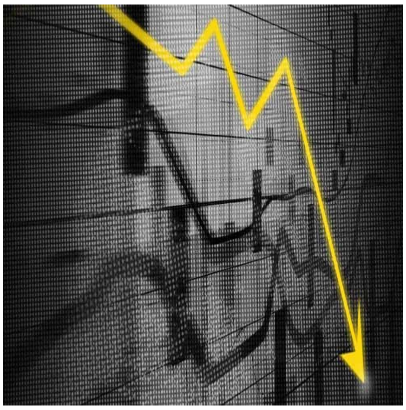

During Volatility, Focus on Buying These Quality Stocks

Description

If you went all-in on stocks a week ago, you are probably feeling pretty good right about now. The governments are bailing everyone out so no one feels any pain. Bad companies are being supported. Highly levered individuals are going to get money, so they can keep making irresponsible decisions. The perpetual motion machine of debt keeps going.

So, what is the end game in all this? Is this the new normal? Should we just expect this level of volatility going forward? After all, the volatility comes from our massive debt loads and the vulnerability that puts into the system. If it wasn't the virus, it would have been something else that set off this volatility.

This is the exact reason why you want to take advantage of these times of chaos to buy shares in solid, dividend-paying companies. Solid companies, preferably with predictable earnings growth, let you ride out these storms with relative comfort.

Two core companies

With the market shooting up as it is at the time of this writing, it is harder to recommend **TD Bank** (TSX:TD)(NYSE:TD) and **Fortis** (TSX:FTS)(NYSE:FTS). They were such compelling buys a few days ago and are much less so today. This is not a function of the companies themselves, but rather is a reflection of the higher valuations they are commanding after only a few volatile days of upward movement.

Nevertheless, even at these levels, both Fortis and TD are still definitely worth buying if you have not yet added them to your portfolios. Both have very attractive dividend yields, with Fortis's yield at 3.85% and TD's still at just over 5% at the time of this writing. If you can lock them in at these yields, you are still getting decent income from these stocks.

There is also the possibility of dividend growth ahead in the future. In the case of Fortis, the company has maintained a solid upper-single-digit growth rate in its payout for decades. The growth is supported by its regulated utility businesses. These give clear visibility for upcoming increases.

TD is slightly riskier in that it is more likely to be impacted by a global economic slowdown than Fortis, but it is still quite solid. The yield has grown at a steady clip for many years. Just a month ago, the bank raised its payout by 7%, adding to a long streak of dividend increases.

Although both the United States and Canada are both impacted by the fallout from the coronavirus, the fact that these companies are diversified across both regions is still beneficial. They both get a portion of their earnings in the form of U.S. dollars, so they are able to benefit from the strong currency when the earnings are converted back in Canadian dollars.

It is also possible that one country may be more heavily impacted by the virus. The geographic diversification may mean that their earnings from one area may be more accretive than earnings from another.

The bottom line

It can be nerve-wracking to watch your portfolio dip precipitously during times of stress. No one is immune to the ups and downs of the market. Even the solid dividend payers, as we have seen during this crisis, can get cut in half in a heartbeat. The key is to know why you own something and to be resolute to stick with it when times get tough.

Companies like Fortis and TD are stocks you should have as a key component of your Canadian dividend portfolio. These are steady businesses with long histories of quality operations, dividend payments, and growth. There are not many excellent times to buy stocks like these, so take advantage of them when the opportunity arises.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
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