Recession Stocks: Should You Buy Fortis (TSX:FTS)?

Description

As the current situation plays out around the world, many investors are concerned about their stocks in a recession. The situation continues to play out, and uncertainty remains high.

While most investors are eagerly awaiting some sign of how this will play out for economies on a global scale, others have gotten ahead of the curve and have begun to prepare for the worst.

There are certain stocks that investors can buy that will help keep your portfolio strong, even through a prolonged economic slowdown. These stocks are companies that sell essential goods or services — goods that investors have to buy.

Typical stocks that investors rush to when they are concerned about a recession are residential real estate companies, consumer staples like grocery stores and utilities.

Utilities provide consumers and businesses with essential services such as electricity, water or gas.

Fortis utility stock

One of the top utilities stocks on the **TSX** and an investor favourite in these times of uncertainty is **Fortis Inc** (TSX:FTS)(NYSE:FTS).

Fortis is a massive utility, which is why it's such a highly coveted stock amid recession fears. The company operates in multiple jurisdictions across North America.

Nearly all of its revenue is regulated, and the majority of it comes from electricity transmission and distribution. It's also engaged in natural gas distribution too.

The diversification of its operations and the various jurisdictions in which it operates helps mitigate against some risk. This makes an already stable company even more reliable. Because the company is extremely safe and reliable, one of the main reasons investors buy it is for its stable dividend.

The company has nearly 50 years of consecutive dividend increases. It's also one of the longest standing companies on the Canadian Dividend Aristocrats list.

Fortis is also in a solid financial position, which is crucial for stocks ahead of a recession. Regardless of the industry, companies need to maintain adequate finances in order to remain healthy. One thing this current situation has proved is that you have to be ready for the unexpected.

The company is roughly 10% off its 52-week high, giving investors a great chance to buy this recession stock. Plus, the dividend is yielding 3.65%. These are attractive numbers that make Fortis a top stock to consider adding today.

Another top utility stock to consider ahead of a recession is **Hydro One** (TSX:H).

Hydro One recession stock

Hydro one is an electricity transmission and distribution company in Ontario. As it does only electricity transmission and distribution, all the revenue it receives is regulated.

Like Fortis, it has a strong and reliable dividend. The current payout ratio is expected to be just 70% of 2020 earnings – a dividend that should be safe.

It's also worth mentioning that the company is in good financial shape, so there isn't any specific risk there.

The stock should also be unaffected by Premier Ford's decision to ease peak hour electricity rates while people are stuck at home. Investors had been concerned whether the provincial government's decisions would affect operations, but that doesn't seem to be the case.

The stock is off its highs by nearly 15%, giving a nice discount for investors looking to buy today. Its dividend also yields an attractive 3.8%.

The combination of the discount in the share price and reliability of its operations helps make Hydro One a top option for investors looking to buy a stock that can survive a recession.

Bottom line

Both stocks offer investors stable and reliable income, a must-have with all the uncertainty in the markets.

It's important that investors don't just load up their portfolios with safe and defensive stocks like these though. Investors should also look to buy some highly attractive growth companies for the long run.

Those high-growth stocks aren't always this cheap, so take advantage now because the discounts may not last.

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3. TSX:H (Hydro One Limited)

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