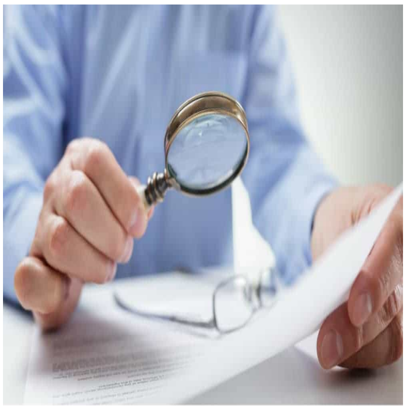

Recession Watch: 3 Dividend Stocks to Hold Forever

Description

April is winding to a close, and many Canadians will have passed through the first full calendar month of lockdowns. Some U.S. states and several European nations are opting for a gradual re-opening, but Canadian officials are still preaching caution. The economic and financial toll of the shutdown is mounting. Many economists are projecting a sharp recession. Today, I want to look at three dividend stocks that are worth holding onto forever in the face of a downturn.

More bad numbers bring up spectre of recession

Jobless numbers in Canada and the United States shocked onlookers in recent weeks. Last week, an analysis by the Canadian Centre for Policy Alternatives (CCPA) bandied about more disturbing data. It used the number of Canadian Emergency Response Benefit (CERB) claims as a proxy for the unemployment rate. This suggested that the COVID-19 pandemic has effectively wiped out job gains made in the Canadian economy made since October 1986.

Data from Service Canada and the Canada Revenue Agency showed that more than seven million unique applicants have filed for the $2,000 monthly benefit since April 6. However, CERB benefits were expanded in mid-April to include the underemployed and those earning less than $1,000 in a four-week period.

The International Monetary Fund (IMF) expects the Canadian economy to shrink by 6.2% in 2020. Economic activity is expected to suffer declines of over 25% in the spring season. The recent market rally has shown that many investors are still optimistic. However, readers should still beware of risks in the market right now.

Defensive dividend stocks to own

Essential services have remained open in this time of crisis. That also makes these dividend stocks some of the best targets ahead of a probable recession. Utilities, grocery retailers, and telecom service providers are sources of stability right now. Moreover, many of these industries have even seen spikes in activity.

Hydro One (TSX:H) is a utility that boasts a monopoly in Canada's most populous province — Ontario. Its shares have climbed 1.8% in 2020 as of close on April 24.

Shares of Hydro One last possessed a favourable price-to-earnings ratio (P/E) of 19 and a price-to-book (P/B) value of 1.6. Hydro One and other utility providers have opted to give customers some relief by dropping rates, but usage is sure to spike with so many Canadians hunkered down. Moreover, Ontario has experienced a colder-than-average April.

Hydro One last paid out a quarterly dividend of $0.2415 per share. This represents a 3.8% yield. The company has delivered dividend growth in every year since its IPO. Utilities have been some of the most reliable income vehicles since the 2007-2008 financial crisis.

More essential services

Empire Company is one of the top grocery retailers in Canada. It owns grocery brands like Sobeys, Farm Boy, and Freshco. Shares of Empire have climbed 10.6% in 2020 so far. Back in late March, I'd suggested that investors should target Empire and other stocks in the food space. This is a stock to trust in this crisis and in a recession.

Shares of Empire last had a favourable P/E ratio of 17 and a P/B value of 2.4. Empire last paid out a quarterly distribution of $0.12 per share, representing a modest 1.4% yield.

Telecoms have provided an essential service in this environment, especially with so many Canadians now forced to work from home. **BCE** is one of the largest telecoms in Canada. Its shares have climbed 11% over the past month. However, the stock has dropped marginally year over year.

Now is a great time to scoop up this top telecom at a discount price. Shares last had an attractive P/E ratio of 16. BCE offers a quarterly dividend of $0.8325 per share, which represents a strong 5.9% yield.

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