2 Dividend Stocks to Buy Before August

Description

It's time to buy dividend stocks. These companies deliver regular cash flow to shareholders. That's especially useful when times get tough. You can use that cash to support your daily expenses, or you can redirect the capital to buy even more stock. The choice is yours.

What's not up to you is where the market heads from here. According to the *Financial Times*, four in five fund managers believe stocks are now overvalued.

"Nearly 80 per cent of fund managers shepherding a combined $600 billion of assets think that stocks are too expensive, the highest share in records going back to 1998," the paper reported. "The biggest risk to equity prices is the chance of a new wave of COVID-19 infections…Just over half believe that stocks are poised to fall back into a bear market."

Fortunately, the dividend stocks below can protect your capital from another downturn. Plus, the dividend payments look safe even if conditions take a turn for the worse.

Buy this monopoly

Enbridge (TSX:ENB)(NYSE:ENB) is one of the only monopolies that you can actually buy into. It's the largest pipeline owner in North America. Pipelines are like highways. If people want to travel in that direction, they need to pay you, otherwise they'll take a longer route which wastes money and time.

The important thing to know is that pipelines are difficult to build. They can take a decade or more to construct due to regulatory limitations. They also can cost more a few million dollars per kilometre to build. This severely limits industry supply, giving incumbents like Enbridge extreme pricing power.

This pricing power is what allows Enbridge to be such a well-paying dividend stock. Its dividend yield is now close to 8%. Sales are based on volumes, not commodity prices, so as oil prices gyrate, the company profits don't change.

All of this makes the dividend close to bulletproof. Energy markets are in a downturn, which is why you can snag the stock and secure an 8% dividend. Just don't expect this deal to last for long.

This dividend stock can grow

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN) is another high-paying stock, with a 4.9% yield. Compared to Enbridge however, this is more of a growth stock. Over the past decade, shares have risen by 500%! That's incredible given that the underlying business model is recession-resistant.

Algonquin is a traditional utility stock. It sells electricity to its customers. Roughly two-thirds of the business is rate-regulated, which means the government dictates its profit margins. This limits upside, but notably, it means profits are barely impacted during a bear market.

While the other one-third of its business is unregulated, that doesn't mean it's risky. This segment sells renewable energy on long-term contracts spanning a decade or more. There's more risk, but that's why this dividend stock can grow so quickly.

The COVID-19 sell-off pushed shares close to a 12-month low. Understand that this stock *rarely* goes on sale. Now is the time for income investors to take a look. The added growth only sweetens the pot.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
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