Top 3 Defensive Stocks Under $20

Description

The steep recovery of the stock market amid the pandemic and fear of an economic slowdown are good reasons to consider buying some defensive stocks now. While protecting the downside risk, defensive stocks are likely to add stability to your portfolio amid high volatility.

Here are the top three defensive bets investors could consider buying under $20.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) stock is a top defensive bet under $20, thanks to its resilient business and predictable cash flows. Algonquin derives most of its revenues from the rate-regulated utility business. Moreover, its renewable energy business is supported through long-term contractual arrangements with inflation indexation.

The addition of Algonquin Power & Utilities stock in your portfolio is likely to add stability amid an economic downturn. Moreover, investors are likely to gain from consistent dividend income. Algonquin Power & Utilities has raised its dividends uninterrupted for 10 years in a row. Further, its dividends have increased by 10% annually during the same period.

Its low-risk utility business, geographical, and capacity expansion, and cost-cutting measures could boost its cash flows, cover its payouts, and support its stock. Currently, its shares offer a forward dividend yield of 4.5%.

Kinross Gold

Amid fear of an economic slowdown, investors could consider buying the shares of gold mining companies for stability and growth. The uncertainty surrounding the economy, lower interest rates, and high volatility in the stock markets are likely to lend support to the gold prices, which, in turn, is likely to push shares of the gold mining companies higher.

Kinross Gold (TSX:K)(NYSE:KGC) is a top gold stock, which should be on investors' radar. The higher average realized prices of gold and low-cost mining is fueling Kinross Gold stock higher. Shares of Kinross Gold are up about 82% year to date and could rise even further, thanks to the good growth prospects of the shiny yellow metal and higher production from the low-cost mines. Also, it continues to generate solid cash and is focusing on reducing debt, which is likely to lend support to its shares.

AltaGas

AltaGas (TSX:ALA) is another top under $20 defensive bet, thanks to its low-risk utility business. Meanwhile, its high-growth midstream operations accelerate top-line growth and support EBITDA. Investors should note that AltaGas expects to generate about 60% of its normalized EBITDA in 2020 from the rate-regulated utility business that generates predictable cash flows.

The Ridley Island Propane Export Terminal (RIPET) has given a significant boost to its midstream operations. AltaGas's midstream operations are likely to benefit from high export volumes and an increased utilization rate.

The company expects an annual increase of 8-10% in its utility rate base through 2024, thanks to its continued investments and addition of new customers. Meanwhile, higher volumes in the midstream business, debt reduction, and cost savings should further support AltaGas stock. It pays a monthly dividend of $0.08, reflecting an annual yield of 5.9%.

Its unique mix of low-risk and high-growth assets and the solid dividend yield is likely to boost investors' returns in the long run.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ALA (AltaGas Ltd.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:K (Kinross Gold Corporation)

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snahata