



A Resilient Dividend Stock for October 2020

Description

What a [terrible September](#) it's been for the broader markets. The month of September has historically been a rough month for stocks. But don't think that just because September is drawing to a close that the band-aid has been ripped off and this market correction is done and over with.

We're still not out of the woods yet with this [COVID-19 crisis](#), and it's still possible for this garden-variety correction to evolve into something far more vicious: a market meltdown that could send us right back into bear market territory.

Sure, this tech-driven correction was needed to prevent the second coming of the 2000 dot-com bust. Although most stocks are, on average, 10% or so cheaper than they were back in August, I'd urge investors to be cautious over names that have doubled or tripled since March, because many of them are still beyond overvalued following their relatively modest September falls.

Is this September correction over? Or will the sell-off drag into October?

There's probably still rampant speculative activity in this market, and I think it may take a while longer before a majority of the speculators are shaken out. As such, investors should brace themselves for further volatility going into year's end.

That doesn't mean it's time to sit on your hands by passing up the opportunities that Mr. Market throws your way. There are still plenty of compelling opportunities today (specifically in mega-cap value stocks) that exist alongside pockets of severe overvaluation that one should steer clear of going into October.

Of bubbles and bargains

I'd describe the broader market as consisting of bubbles and bargains. In due time, Mr. Market will

likely correct his severe over- and underpricing mistakes, whether it's through a vicious "everything sell-off" or a profound rotation out of growth and into value.

This piece will look at one oversold dividend stock that has been unfairly put in the penalty box. It's these such names that you should look to if you seek the greatest risk/reward and not the "corrected" tech stocks that are still at nosebleed-level valuations.

Without further ado, consider **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), a blue-chip utility stock that I view as one of the babies that have been thrown out with the bathwater.

Fortis: One of the bluest blue-chip stocks out there

Fortis is the epitome of a bond proxy. It has a rock-solid 3.8% dividend yield that's the closest thing to a guarantee you'll likely run across in the world of "risky" assets. The generous payout is slated to grow at a mid-single-digit rate every year, regardless of where the markets end up heading next. Fortis's highly regulated business leaves next to no room for surprises given its operating cash flow stream is highly predictable.

In addition to its unmatched dividend stability, the company is also growing far quicker than most of its "Steady Eddie" peers in the utility sector thanks to its stellar management team that knows how to spot growth opportunities in the higher-ROIC U.S. market. With one of the widest moats out there, investors should seek to back up the truck on the name anytime it takes a dip or a breather.

With a 0.07 beta, Fortis trades in its own world and is less influenced by the day-to-day moves made by most other securities highly correlated to the broader **TSX Index**. More recently, Fortis hiked its quarterly dividend by 5.8% after it pulled the curtain on a five-year \$19.6 billion investment plan. Over the next five years, investors should expect more of the same: bond-like stability and virtually guaranteed mid-single-digit annual dividend growth.

After the latest dip, shares of FTS trade at just 1.4 times book value, which is a steal in my books.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

Date

2025/08/02

Date Created

2020/09/27

Author

joefrenette

default watermark

default watermark