2 Top Utility Stocks to Buy in October 2020

Description

The volatility in the stock market continues, with some market experts projecting it could crash again in 2020. However, others expect the uptrend to continue. Amid the uncertainty, it's hard to gauge in which direction the stock market will move. Further, the interest rates remain low — a trend that could continue for a considerable amount of time, thus making it tough to generate decent returns from debt instruments.

Nevertheless, a few stocks or sectors could continue to generate steady returns for investors in the form of dividends and capital appreciation, even amid volatility. I am talking about the utility companies that generate durable earnings and consistently boost shareholders' returns through higher dividends.

So if you are worried about a stock market crash or afraid of volatility, squeeze decent returns from these two utility giants' stocks.

Algonquin Power & Utilities

If you are looking to generate worry-free returns amid volatility, consider buying shares of **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN). Its diversified and low-risk business continues to perform well and has generated solid returns for its investors in the past several years.

Shares of Algonquin Power & Utilities have risen over 578% in the last decade. Meanwhile, its dividends have grown at an annual rate of 10% in the past 10 years.

Algonquin Power & Utilities generates most of its revenues from the rate-regulated utility assets, implying that its dividends could increase in the coming years. Further, its renewable energy assets have inflation-indexed long-term contracts.

With $11 billion in total assets, Algonquin Power & Utilities is focusing on driving its organic growth by expanding its global pipeline of electric transmission, renewable energy, and water infrastructure development projects. Moreover, strategic acquisitions are likely to accelerate its growth further. Currently, Algonquin Power & Utilities is offering a decent dividend yield of 4%.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another stock that should be on your radar amid uncertainty. With about 99% of its earnings coming from regulated utility assets, Fortis generates predictable cash flows that support its growth and cover its payouts.

Thanks to its robust cash flows, Fortis has increased its dividends for 47 years in a row. Meanwhile, it offers a dividend yield of 3.7%.

Investors should note that its rate base is projected to increase from $28 billion in 2019 to $38.4 billion in 2024, reflecting a compound annual growth rate of 7%. The high single-digit rate base growth is likely to support its cash flows, in turn, its future payouts.

Fortis expects its dividends to increase by 6% annually by 2024, which is encouraging. Moreover, its investments in infrastructure and renewable power and strategic acquisitions are likely to drive growth in the coming years.

Bottom line

As bond yields remain low and the stock market stays volatile, investors could consider allocating a portion of their portfolio into utility stocks like Algonquin Power & Utilities and Fortis that generate steady income flow.

Besides, their low-risk and resilient business are likely to add stability to your portfolio amid a stock market crash. Meanwhile, both these companies' shares could continue to generate healthy growth, boosting the overall returns on your investment.

CATEGORY

1. Coronavirus
2. Dividend Stocks

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2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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