2 TSX Dividend Stocks to Buy if Markets Continue to Crash

Description

Over the last few weeks, financial markets have started to see volatility spike. Already many **TSX** stocks have sold off considerably just in the last month. And in the U.S., last week was the worst single-week performance for stocks since March.

A combination of rapidly rising COVID-19 cases mixed with the uncertainty of the election has investors nervous. What will be interesting to see is if the stock market rebounds soon or if there is more pain to come.

Unfortunately, it doesn't look like cases of COVID-19 are going to stop rising anytime soon. Furthermore, with so many mail-in votes to count, uncertainty from the election may not even subside for a while if there is no clear winner on election night.

It's impossible to predict what's going to happen. Therefore, all we can do is try to be as prepared as possible for a potential market crash.

Here are two top **TSX** stocks to start thinking about buying if the market selloff continues.

TSX utility stock

Some of the top dividend stocks to add to your portfolio as volatility is increasing are utility stocks. One of the top utility stocks on the TSX is **Hydro One Ltd.** (TSX:H).

Hydro One is an electricity transmission and distribution utility business. The company is ideal in a market crash because its operations are so stable.

Hydro One's stock is up roughly 20% year to date. The major increase in demand for its shares shows just how important these low-risk dividend stocks are to investors.

Hydro One will provide investors with a top business to protect your hard-earned capital. Its business will be minimally impacted, which leads to a stock that is not volatile at all. And in fact, because so many investors want to add defensive stocks to their portfolio, Hydro One and many of its utility stock peers have seen their value increase considerably throughout 2020.

If you're looking to buy it today, the stock is fairly valued. And in addition to protecting your capital, will pay you an attractive 3.5% dividend.

TSX royalty stock

Another top dividend stock you could consider is **Pizza Pizza Royalty Corp** (TSX:PZA). Pizza Pizza was impacted by the first wave of coronavirus. However, for its industry, the stock has been extremely resilient.

That should give investors confidence as market volatility continues to rise as the second wave strikes. Pizza Pizza continues to have a massive margin of safety between the amount of money its currently earning, and what it's paying out to investors.

During the initial wave that impacted Pizza Pizza, the company took the prudent measure of trimming the dividend by more than what was needed. This was crucial for two reasons.

First, it helped build up Pizza Pizza's cash reserve over the last few months, especially as sales have been recovering. Second, Pizza Pizza has left the dividend at its reduced level. This means the company should no longer have to worry about needing to trim it.

Instead, the company can focus on the future. This includes overcoming the pandemic's effects and improving things like menu items to drive an increase in customer traffic as the pandemic winds down.

Because we know its dividend is almost certainly safe, it's a stock I would have confidence buying during a selloff. Plus, at today's prices, it pays an attractive 7.2% dividend. And that could increase substantially if Pizza Pizza shares are once again sold off.

Bottom line

Finding high-quality **TSX** stocks that will not only preserve the value of your hard-earned capital, but also pay you an attractive dividend is key during market volatility.

This way you won't have to worry about your existing portfolio, and you can instead focus on taking the passive income from your investments and use it to take advantage of all the bargains in the stock market.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

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