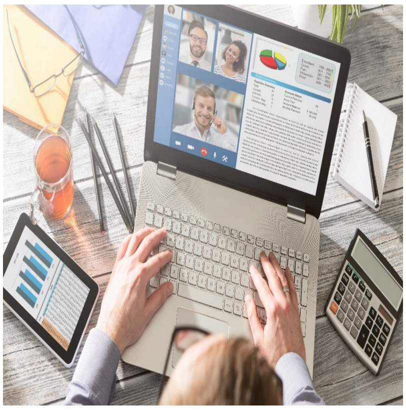

2 Safe Dividend Stocks if the Pandemic Gets Worse

Description

The run of several strong months after the initial panic-fuelled sell-off seemed too good to be true. However, it looked like the markets will see a miraculous V-shaped recovery amid the pandemic.

Over the last few weeks, financial markets have started to see a significant spike in volatility. Many investors have started selling off shares of multiple **TSX** stocks. The U.S. stock market also saw one of its worst weeks since the March sell-off.

The second wave of COVID-19 infections and uncertainty due to U.S. elections is making investors nervous. There is no telling how the market will fare after this period of turbulence. It could either rebound and regain positive momentum or take another round of beatings.

It's impossible to predict what will happen in the next few weeks. All you can do is try to be as prepared as possible if the pandemic gets worse and we see another market crash.

I will recommend two TSX stocks that you should consider investing in to protect your capital if the market sell-off continues.

Utility stock

Utilities are a staple investment for investors looking to hedge against market volatility. Investing in utilities means that your capital will remain stable. Typically, that means you will experience fewer losses in case of a broader market downturn. It also means that you will not likely see plenty of gains if the market proliferates.

However, **Hydro One Ltd.** (TSX:H) is an ideal stock to consider due to its ability to generate stable cash flows and its relatively higher growth potential. The stock provides electricity transmission and distribution, making it an essential business. Hydro One is also seeing substantial growth due to a growing demand for its services.

Hydro One is up 18% on a year to date basis with its $29.40 valuation at writing. It is both a defensive stock to protect you from a market downturn and an excellent way to grow your wealth through capital gains and its juicy 3.45% dividend yield.

Restaurant royalty stock

Restaurants were among the worst-hit sectors due to the lockdowns. However, the second dividend stock I will recommend in case of a market crash is **Pizza Pizza Royalty Corp.** (TSX:PZA). The company was severely affected by the first wave of the pandemic. Its valuation declined by almost 45% between January 24 and March 18, 2020.

Despite a significant decline, the stock recovered quickly in subsequent weeks. PZA has been surprisingly more resilient compared to the rest of the restaurant industry. Its resilience can provide investors with the peace of mind that it can stay afloat if another market crash happens.

PZA trimmed its dividends by more than what it needed so it could improve its liquidity. The market volatility and another market crash would be a perfect time for it to use that additional capital to remain more profitable for its investors despite the downturn.

PZA is trading for $8.56 per share at writing, and it has a juicy (and more importantly, safe) 7.01% dividend yield.

Foolish takeaway

It is the best time to look for and invest in high-quality dividend stocks that can preserve your capital and provide you with decent returns through dividends during this market volatility.

I think that Hydro One and Pizza Pizza Royalty can be excellent additions to your investment portfolio for this purpose.

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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Date
2025/08/25
Date Created
2020/11/10
Author
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