



## 2021 Outlook: Utilities to Outperform

### Description

Investors in utilities may be dismayed by the relative underperformance of these equities relative to other sectors. Yes, utilities did participate meaningfully in the rally from March lows. That said, in a lot of cases, many utilities are still trading below pre-pandemic levels.

In this article, I'm going to highlight why I believe this sector will have a turnaround year in 2021. Specifically, I'll discuss why one such company, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), could represent the best way to play this outperformance.

### Capital will be attracted to safety in 2021

I think large capital flows out of aggressive growth stocks into defensives is on the horizon in 2021. The amount of capital that has chased momentum in 2020 is quite incredible to me. It's still hard for me to fathom the degree of investment in equities with high-flying valuations at this stage of the game in the pandemic "recovery." Job losses continue to remain high, and structurally, the economy doesn't look good.

Weakness in utilities of late could be due to a number of factors. Capital outflows from defensive sectors such as utilities could be driving some of this weakness. Additionally, investors could be concerned about the potential for interest rates rising over the near to medium term.

That said, Fortis has one of the best management teams in the Canadian utilities space, in my opinion. The company also has a highly defensive business model with extremely stable cash flows. A [dividend yield near 4%](#) provides a solid thesis for income, value, and long-term growth investors to buy in. These are all big positives for Fortis, as we progress into what I think will be a year of outperformance in utilities.

### Don't forget about those secular tailwinds

There are a number of tailwinds investors should be aware of. With carbon emissions targets and ESG

(environmental, social, and governance) investing mandates taking hold, Fortis could be a big winner in the years to come. This is because Fortis's natural gas business is likely to see a boost from a shift from coal and other dirty electricity-generation plants to natural gas for power production.

A U.S. Democratic sweep furthers the secular growth trend for renewable power and clean power generation further. I think Fortis will not only participate in this shift, but will be a major force in North America in this regard. Fortis's geographic diversification, particularly with substantial exposure to the U.S. market, bolsters this argument. Fortis is a large North American player that benefits greatly from pro-carbon reduction mandates.

## Got to love that dividend!

As previously mentioned, Fortis's dividend is a key reason to own this stock. Specifically, dividend growth is one thing investors ought to focus on. I think mid- to high single-digit dividend increases will continue for the foreseeable future. Fortis's track record as one of the best dividend-growth companies on the TSX is unlikely to change any time soon. This is a big reason for the relative stability of this stock relative to its peers. The company's 4% dividend yield is one of the safest and best options for income investors looking for yields that grow over time.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### POST TAG

1. dividend
2. dividend stock
3. energy
4. growth
5. investing
6. market
7. value investing
8. yield

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

### Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

### Tags

1. dividend
2. dividend stock
3. energy
4. growth
5. investing
6. market
7. value investing
8. yield

### Date

2025/06/29

### Date Created

2021/01/11

### Author

chrismacdonald

default watermark

default watermark