2 Top Canadian Stocks to Ride Out a Market Correction

Description

The **TSX Index** has enjoyed an amazing run off the 2020 market crash. It could go higher, but the record rally now looks a bit overdone, and the stock market is due for a healthy pullback or correction. Let's take a look at two top Canadian stocks that might be good defensive buys today.

Telus

Telus (TSX:T)(NYSE:TU) is a leading Canadian communications company with wireless and wireline assets that provide mobile, internet, and TV services to subscribers across the country.

The company has already had a busy start to 2021. Telus spun off its **Telus International** division in a successful IPO that valued the business at $8.5 billion and still holds 55% of the economic interest of the company and maintains 67% of the voting power.

Telus also raised $1.3 billion in cash through a successful equity sale. The money will be used to help fund the capital program, as Telus increases its fibre rollout and ramps up the construction of its 5G network.

Telus increased its 2021 capital guidance for 2021 by $750 million to $3.5 billion. In the Q1 2021 earnings statement Telus said consolidated revenue rose 8.9%. The company reported EBITDA growth of 3.7% to $1.5 billion.

Telus provided free cash flow guidance of $750 million for the year and raised the dividend, marking an 8.6% boost in the payout over the same time last year. Telus has a great track record of dividend growth, and that should continue, even as the company ramps up its capital program.

The stock currently provides a 4.5% dividend yield. The reopening of domestic and international travel should trigger a rebound in lucrative roaming fees in the next 12 months. Telus also has new revenue opportunities emerging through its 5G expansion and its Telus Health business.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns utilities that generate power and move the electricity across vast grids. The company also operates natural gas distribution assets. The various businesses provide diversified and regulated revenue streams that are predictable and reliable.

As a result, Fortis has the luxury of giving great dividend-growth guidance. The company has historically grown revenue through a combination of acquisitions and internal development projects. The main focus today is on a five-year capital program worth $19.6 billion. The investments are expected to increase the rate base from $30 billion to $40 billion by the end of 2025. As a result, Fortis expects cash flow growth to be strong enough to support average annual dividend hikes of about 6%.

Fortis raised the payout in each of the past 47 years, so the projections should be reliable.

Rising interest rates could eventually be a headwind for Fortis stock. The U.S. Federal Reserve recently moved up its rate-hike timeline, but the increases will be small and drawn out from very low levels. Dividend growth should help offset any rate-hike risks in the next few years.

At the time of writing, the stock provides a yield of 3.5%.

The bottom line

Telus and Fortis are great companies with strong track records of dividend growth. The stocks tend to hold up well when the market takes a hit, making them good defensive plays for a TFSA or RRSP portfolio. A new investment split between the two stocks would provide an attractive 4% yield today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TU (TELUS)
3. TSX:FTS (Fortis Inc.)
4. TSX:T (TELUS)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/07/27
Date Created
2021/06/19
Author
aswalker