# 2 Dividend Stocks to Ride Out the Next Market Correction

## Description

Stocks markets continue to hit new highs. The trend could continue for some time, but as valuations get overstretched the risks of a healthy pullback are also increasing. Investors with some cash to put to work might want to search for defensive dividend stocks that should hold up well in the event of a meaningful market correction.



## Telus

**Telus** (TSX:T)(NYSE:TU) is a leader in the Canadian communications industry with wireless and wireline networks that provide mobile, internet, and TV services across the country.

Telus reported solid Q1 2021 results and the reopening of travel should boost roaming fees in the coming quarters. Operating revenue increased 8.9% compared to the same period last year. Total subscriber connections increased 5.5%.

Telus is spending $3.5 billion this year on capital investments as it ramps up the expansion of its fibre optic and 5G networks. The recent decision by the CRTC to cancel planned cuts to wholesale internet rates is a win for Telus. The decision gives the company better clarity on future revenue and that should support increased investments.

Telus raised its dividend when it announced the Q1 2021 results. This is positive for investors who thought the company might ease up on distribution hikes in a year with high capital expenditures. The payout increase puts the dividend 8.6% higher than the prior year.

Telus had a successful Initial Public Offering (IPO) of its international business earlier this year and raised $1.3 billion through a share sale that was offered at a small discount. The strong demand in the market demonstrates the attractiveness of the business.

Telus currently offers a 4.6% dividend yield.

## Emera

**Emera** (TSX:EMA) is a Canadian utility company with $31 billion in assets located in Canada, the United States, and the Caribbean. The businesses include electric and gas utilities.

Emera has a $7.4 billion capital program in place through 2023. The company is also evaluating an additional $1.2 billion in projects for the same period. As a result, Emera expects to see rate base growth of 6% in 2021 as a result of $2 billion in investments this year. The forecasted rate base growth is 7.5% to 8.5% by the end of 2023.

The board intends to increase the dividend by at least 4% in 2021 and 2022. Based on the company's dividend growth track record the gains should extend beyond that timeline. The current payout provides a yield of 4.5% at the time of writing.

The stock appears cheap right now and it wouldn't be a surprise to see Emera become a takeover target in the next few years as the North American utility sector consolidates.

## The bottom line on defensive dividend stocks



Telecoms and utilities tend to be good places to put money when you anticipate a major correction in the stock market. Revenue and cash flow tend to be steady as these types of businesses provide essential services that businesses and households need regardless of the state of the economy. They are also largely insulated from the market upheaval caused by global geopolitical or financial events.

If you have some cash on the sidelines, Telus and Emera pay attractive dividends and should be top defensive picks for a diversified portfolio.

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2. TSX:EMA (Emera Incorporated)
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