2 High-Quality Canadian Stocks to Buy for Steady Gains

Description

The broader markets are heading into the second half of the year with considerable momentum. Only time will tell if the second half will hold that nasty correction that many pundits seem to think we're long overdue for. While I'd never rule out the occurrence of a correction, I do think it's foolish (that's a lower-case "f," folks) to pay too much heed to short-term predictions by anybody you see on television, no matter how impressive their credentials.

We've heard plenty of doubters call for a market plunge ever since the stock market bottomed out in March 2020. Undoubtedly, they've been wrong in a big way as the broader markets continued their ascent on the back of recovering earnings growth.

While it will be tough for the **TSX Index** and **S&P 500 Composite Index** to match the first-half returns in the second half, the second half could still hold some very good results. Of course, things could become more volatile heading into the autumn, but investors shouldn't feel the urge to make drastic moves here.

For those looking to deploy new money to work, it may make sense to look to some of the lower-volatility appreciators with valuations at the lower end.

Consider **CN Rail** (TSX:CNR)(NYSE:CNI) and **Fortis** (TSX:FTS)(NYSE:FTS), two high-quality Canadian stocks that could continue marching higher into year's end and with less volatility than the broader **TSX**.

CN Rail

CN Rail is under pretty considerable pressure over the past several months. Investors don't like the hefty US$34 billion price tag on the Kansas City Southern rail deal, and it seems to be a given that some value could be diminished. As a result, CNR stock is down 13% from its high, while the dividend, currently yielding 1.89%, is close to the highest it's been since the depths of 2020.

I think the post-KSU deal hangover is a massive buying opportunity. Sure, the high price of admission comes with risks. Still, investors are massively discounting the capabilities of management and the magnitude of the economic boom that could kick off the so-called Roaring 20s.

With so much negativity baked in and less confidence in CEO J.J. Ruest and company, I'd look to top up your position if you own shares already or initiate a sizeable position on this latest dip.

Over the past few years, CNR stock has been quite volatile, while the broader markets have been a smooth ride up. I think the tides could turn, and it's CN Rail that could be the steady appreciator as the broader markets move through a bumpier road.

Fortis

Fortis is one of those stocks you can just buy on dips without second-guessing yourself. The regulated utility has one of the most robust operating cash flow streams out there.

While COVID-19 has dealt a modest blow to the company, it's been far more muted than most other names on the **TSX**. You won't get much in the way of surprises with Fortis. The dividend yields 3.7% and is well-positioned to grow at a 5-6% rate annually.

Sure, Fortis won't make you rich over a year or even five years. But it will help you preserve and grow your wealth through thick and thin. Right now, defensive dividend stocks and bond proxies look way too cheap to ignore.

The first half was a smooth ride up, but only time will tend if the smoothness will continue into year-end. As such, now seems like a great time to punch your ticket to low-to-no beta dividend stocks while the price of admission is modest.

The bottom line

CN Rail and Fortis are tortoises in a market that's biased toward the hares.

At the end of the day, though, I do think the tortoise will end up winning the race. And for that reason, I'm very bullish on steady appreciators with depressed valuations.

They'll help turn your portfolio into a steady ship, even if the second half were to experience excessive levels of volatility.

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