2 Defensive Dividend Stocks That Should Be on Your Radar

Description

With the **TSX Index** marching steadily towards new highs, now seems like a decent time to play some defence with some of Canada's top defensive dividend stocks.

In this piece, we'll have a look at two names that should help your portfolio stay above water should the markets be hit with an unexpected typhoon later in the year. Of course, the following names probably won't be the best picks if the markets go without a correction for another year or two, but at the very least, you'll have peace of mind and a solid dividend to collect every quarter.

Without further ado, consider the following:

Telus

Telus (TSX:T)(NYSE:TU) is a telecom top dog that really impressed in 2020. When the tides were turned against it, Telus rose the occasion, continuing to take share over its peers on the west coast, despite the industry-wide pressure. Such outperformance is no coincidence. The incredible managers running the show are the real deal, and I think they're worth paying up for as we move into the next generation of 5G wireless technology.

The company is aggressively rolling out new infrastructure, just like its peers are doing. But with a proven reputation of quality, I think the firm has a great foundation to retain subscribers while going after new customers with aggressive promos. Telus is in an enviable spot, and I think it's well equipped to continue outpacing its two brothers in the Big Three.

The valuation seems steep, with shares recently touching down with a new all-time high just shy of $29. With a better growth profile and a reputation for outperformance, I prefer Telus over its competitors for investors seeking to play defence in today's calm but unnerving market.

TD Bank

TD Bank (TSX:TD)(NYSE:TD) is a premium bank that lacks the premium multiple at the time of writing. The stock sports a 3.7% yield alongside a 11 times trailing earnings multiple. Not at all a high price to pay for Canada's most U.S.-centric bank. Over the next three years, I think TD stock is bound to pull ahead of its peers to command a price-to-earnings multiple north of 13. Why? Interest rates will inevitably rise, and once it does, TD's retail banking businesses will have a lot to gain on the margin front.

Moreover, I've mentioned in numerous prior pieces that I'm a big fan of U.S. banking at this juncture for the surging amount of consumer debt being raised. In Canada, debt loads are already high, so I do see more room for TD to profit from increasing amounts of consumer debt in the U.S.

On the flip side, TD's Canadian banking business may be more secure from the rise of fintech disruptors. Undoubtedly, the Canadian border has proved to be quite a barrier to entry for various U.S.-based fintech disruptors, including **PayPal**'s Venmo. In due time, I think fintech firms will make their way into Canada. But in the meantime, I view Canadian banks as having a ridiculously wide moat.

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