Passive-Income Investors: 1 Dividend Stock That Could Beat the TSX Next Year

Description

All sorts of pundits have downbeat expectations for market returns in 2022. Undoubtedly, 2021 was an incredible year for broader stock markets. The S&P 500 was up an astounding 30%, while the TSX Index rose an impressive 22%. These are remarkable returns, even though many of the names didn't participate in the rally to the full extent. If you stayed diversified, however, you likely did very well, even if you came up well short of beating the indices. There's no question that 30% gains in a year are unsustainable. It's just odds that such a booming rally is less likely to be as pronounced in 2021. Still, nobody can tell for sure what to expect next year.

Even if the TSX or S&P 500 come up short of topping 2021, it can still have an incredible year of double-digit percentage gains. And if you're a disciplined and diversified stock picker, you can continue to outperform the markets. Undoubtedly, the growth trade showed tremendous weakness this year, with the highest-flying names of 2020 retreating the fastest. In the new year, defensive dividend stocks and value plays may be the way to go for those looking to combat inflation and high volatility.

The case for playing it defensively with dividend stocks in the new year

Many defensive plays were bid up over the past few weeks. And although their valuations are getting rich, it's arguable that they're still worth buying, especially given how "overdue" broader markets are for some sort of 10% correction. While overdue, there's no telling when such a correction will hit. Regardless, with defensive low-beta names, one can dampen the rocky road that could be ahead. For conservative investors ready to put money to work to reduce the impact of inflation, there's nothing wrong with playing it safe or boring in the case of the names I'll bring to your attention in this piece.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is not the type of name you'd be bragging about around the water cooler — not when cryptocurrencies are blasting off. Once the tides turn, and the speculative activity is drained out of the “sexier” areas of the markets, the tides are bound to change. And it’s names like Fortis that could be among the most attractive through the eyes of investors.

The electric utility stock recently broke a new all-time high of around $61 and change per share on the back of surging demand for electricity. It’s a cold winter across the country, and with that, Fortis will get more business, and shareholders can feel happy knowing that a generous dividend hike will likely be in the cards in the new year.

The stock yields a solid 3.5%, with a 23.3 times trailing earnings multiple. It’s not a steal by any means, but a great buy for the long term, especially if your portfolio’s beta is on the higher end. Fortis’s ability to bring your beta down is also a top reason to own the stock for decades at a time.

The bottom line for dividend-seeking investors

There’s no shame in playing it safe, as your friends chat about **Bitcoin** and its potential in the new year. The stage could be set for a continuation of the kind of rotation we saw in 2021. And to temper volatility, FTS stock is a wise choice. I think it could make a run for $66 over the coming quarters, given value’s potential to shine again.

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