Stock Market Correction: Is Now the Time to Buy These 2 Stocks?

Description

The TSX could finish strong in 2021 and salvage the weak start in December. However, a market correction isn't remote in the new year due to renewed coronavirus concerns. COVID-19 cases in Canada are rising again due to the highly infectious Omicron variant.

Ontario had a record-breaking 10,412 infections on Christmas Day, prompting Paul-Emile Cloutier, HealthCareCAN's president, to warn about a potential healthcare worker shortage. The situation is worrisome in that it can unsettle investors and trigger a market correction.

However, smart investors will not flee the market, but instead move to safer assets before things turn for the worse. If **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Fortis** (TSX:FTS)(NYSE:FTS) aren't your core holdings, now is the time to take a position. Both stocks have, time and again, displayed resiliency amid a bear market or economic downturn.

Bedrock of income investors

Canada's largest bank and second-largest publicly listed company is a bedrock of stability. RBC has gone through the worst recessions but emerge stronger post-crisis. The $192 billion lender announced an 11% dividend hike and a buy back of shares worth $5.6 billion.

The blue-chip stock delivered a 6.52% overall return in 2020, despite tanking to as low as $67.25 on March 23, 2020. Its year-end price of $100.87 was 49.99% higher than its COVID low. As of this writing, RBC trades at $133.99 per share (+32.83% year to date) and pays a respectable 3.58% dividend.

In fiscal 2021 (year ended October 31, 2021), total revenue and net income rose 5.32% and 40.33% versus fiscal 2020. RBC's 13.7% common equity tier one ratio indicates a robust capital position. The bank also paid a total of $6.2 billion common dividends to shareholders.

RBC president and CEO Dave McKay said the bank's overall performance in fiscal 2021 reflected strong earnings and premium shareholder performance. He added that it highlighted its ability to successfully navigate a complex operating environment while continuing to invest in talent and innovations to support future growth.

Growing dividends

Fortis is unlikely to renege on its promise to reward investors with a 6% annual dividend increase through 2025, notwithstanding the Omicron scare. The $27.42 billion regulated electric and gas utility company is TSX's defensive gem, no less. It derives nearly 99% of its revenues from highly regulated utility assets.

On October 29, 2021, Fortis president and CEO David Hutchens announced a new five-year $20 billion capital plan (2022 to 2026), its largest capital plan thus far. He added the plan is highly executable and should extend Fortis's robust rate base growth. Management expects its rate base to be $41.6 billion by 2026.

The long-term rate base growth will both earnings and annual dividend growths. Fortis trades at $60.64 per share (+19.79% year to date) and pays a 3.53% dividend if you invest today.

Safety nets

The macroeconomic environment was already improving before the discovery of Omicron. Now, Health and Seniors Care Minister Audrey Gordon advises Canadians, whether symptomatic or fully vaccinated, to go to testing sites to receive a rapid test to take at home. Those with positive results must return for a PCR test.

Investors should prepare for a any eventually given the situation. It would be best to seek safety nets like RBC and Fortis before the market corrects.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

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