Market Pullback: 2 Defensive Dividend Stocks to Buy Now

Description

The market pullback might have more room to run, as investors worry about rising bond yields and Omicron uncertainties. As a result, it might make sense to consider using spare TFSA and RRSP cash to buy top defensive dividend stocks in this environment.

BCE

BCE (TSX:BCE)(NYSE:BCE) is the largest player in the Canadian communications industry with a market capitalization of $59 billon. The company's size and ability to generate steady cash flow gives it the flexibility to fund the large capital outlays required to maintain its wide competitive moat while still providing investors with generous dividends.

BCE's fibre-to-the premises program runs fibre optic lines right to the door of business and residential customers. This not only gives clients access to the broadband they need; it ensures BCE owns the physical connection to the customer.

BCE is also building its 5G network. The company spent $2 billion on new 3,500 MHz spectrum in 2021 that will be the foundation for the expansion of the 5G services.

BCE should see revenue continue to rebound in its media division in 2022. The company could also get a bounce in roaming charges in the second half of the year if travel restrictions ease again, and people head out of the country in large numbers for holiday or business trips.

The stock should hold up well in the event the broader market goes into a correction. Investors who buy BCE now can pick up a 5.3% dividend yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company that gets most of its revenue from regulated businesses. This makes cash flow both predictable and reliable.

The company has a successful track record of driving growth through a combination of strategic acquisitions and organic projects. Fortis is currently working on a $20 billion capital program that is expected to increase the rate base by about 6% per year over five years. As a result, the company plans to boost the dividend by an average of 6% annually through 2025.

Fortis is evaluating other projects that could get added to the capital plan. If that happens, the dividend increases could be even larger. A new acquisition might also be on the way. Fortis hired a mergers and acquisitions specialist to join the executive team last year.

This is one of the top dividend-growth stocks in the **TSX Index**. Fortis has raised the payout in each of the past 48 years. With that kind of history and the five-year outlook, the stock should be a solid buy-and-hold pick to ride out any potential market turbulence.

Investors who buy Fortis stock at the current share price can pick up a 3.6% dividend yield.

The bottom line on top defensive dividend stocks

BCE and Fortis provide essential services that drive steady revenue in most economic situations. The stocks tend to be less volatile than the broader market and pay attractive dividends that should be very safe. If you are searching for top defensive dividend picks for a TFSA or RRSP portfolio, these stocks deserve to be on your radar.

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