2 Top Dividend Stocks to Buy While the Market Is in Turmoil

Description

After an incredible year of gains last year, the Canadian stock market is off to a rough start in 2022. Despite the global pandemic still continuing to run rampant, the **S&P/TSX Composite Index** soared more than 20% in 2021. It's been a different story this year, though, with the index already down a couple of percentage points on the year, with the majority of those losses coming over the past week.

The market as a whole may only be down a couple of percentage points on the year, but there's no shortage of high-quality Canadian stocks trading significantly below all-time highs today. Growth stocks, particularly in the tech sector, have felt the brunt of the recent selloff.

Investing in dividend stocks

Owning shares of a Dividend Aristocrat is one way for Canadian investors to help mitigate the recent spikes in volatility. When the market is riding a surging bull run, high-yielding dividend stocks are not the most exciting companies to own. But when the market inevitably goes through a selloff, investors will be glad to own shares of a dependable blue-chip dividend stock.

In addition to defensiveness, dividend stocks can generate passive income that can help balance out the losses that many growth investors have endured over the past week.

With that being said, I've reviewed two top dividend stocks on the TSX. Both companies can not only pay handsome dividend yields but can also provide much-needed defensiveness during high-volatile market periods.

Algonquin Power

Utility stocks are some of the most dependable companies Canadians can invest in. Regardless of the condition of the economy, revenue levels tend to stay fairly stable for utility companies. As a result, volatility remains low.

If you're typically focused on investing in growth stocks, **Algonquin Power** (TSX:AQN)(NYSE:AQN) may be a fit for your portfolio. Even though the dividend stock pays a very impressive nearly 5% yield, the company is no stranger to outperforming the Canadian market.

Excluding dividends, shares of Algonquin Power are up more than 60% over the past five years. When factoring in dividends, the utility stock has more than doubled the returns of the Canadian market since 2017.

At today's stock price, the company's annual dividend of $0.85 per share yields 4.8%.

There aren't many companies on the TSX with a market-beating track record like Algonquin Power that also pay a dividend that yields upward of 4%.

Sun Life

Speaking of unexciting, but dependable, dividend stocks, I've got **Sun Life** (TSX:SLF)(NYSE:SLF) at the top of my own watch list right now.

Insurance is certainly not the fastest-growing area of the market. It is, however, one industry that I'd argue isn't going away anytime soon. That's one of the reasons why Sun Life has been a great defensive stock to own over the past decade. I don't expect that to change in the coming decades, either.

At a market cap of $40 billion, Sun Life is the second-largest insurance company in Canada, behind only **Manulife**. But with the company's aggressive growth plans in the coming years, particularly in Asia, it may not be long before Sun Life overtakes Manulife as the largest insurance stock on the TSX.

In addition to passive income and defensiveness, price is another reason why the insurance stock is on my radar. Shares are currently trading at a very cheap forward price-to-earnings of barely over 10.

At today's stock price, Sun Life's annual dividend of $2.64 per share yields 3.7%.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:SLF (Sun Life Financial Inc.)

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