



2 Top Dividend Stocks to Buy as Interest Rates Rise

Description

The Federal Reserve is gearing up to gradually start increasing interest rates this year after a rather elongated period of near-zero rates. So, naturally, many investors are considering how to invest in this environment. Whether it's growth stocks or [dividend](#) stocks, it appears rising rates will negatively impact most sectors.

That said, there are a couple dividend stocks I think could actually outperform in this rising-rate environment. Among my top picks right now in this regard are **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)).

Here's why.

Top dividend stocks: Bank of Montreal

One sector that's undoubtedly positively impacted by rising rates is financials. Among the top Canadian financials stocks, Bank of Montreal remains a top pick of mine in this space. This lender's business model and international exposure provide growth potential I think is worth considering.

As interest rates rise, so too should BMO's net interest margins. This is a company that directly benefits from rising rates, which are broadly detrimental for most stocks. Accordingly, BMO has seen very strong performance of late, currently [trading near its all-time high](#).

This company's world-class management team, its growing dividend, and surging profitability in this rising-rate environment are three great reasons, among many, to own this stock over the long term. In fact, on the dividend growth side, I expect BMO's increases to outpace its peers for some time. Thus, this is a company with unique upside in this environment.

Sun Life Financial

Another financials stock, Sun Life finds itself in a different niche. This company is an insurer, focusing

on a range of insurance products around its core life insurance business.

Like BMO, Sun Life has some intriguing growth prospects. And like BMO, Sun Life also benefits from rising interest rates. As interest rates rise, so too does the fixed-income portion of any investments the company makes in its long-dated portfolio. Sun Life has to match up its liabilities to its assets, and, in doing so, typically chooses fixed-income products for most long-term policies. That means bond yields matter to Sun Life.

Thus, this near-zero interest rate environment has been very detrimental for Sun Life. This stock has remained in what I believe is value territory for some time. That said, Sun Life's future prospects do look brighter as rates rise. Accordingly, the company's valuation multiple has expanded, and Sun Life stock has recently hit new all-time highs.

Can these companies continue even higher from here? I think it's not only possible but likely. Investors looking for defensiveness have it in droves with these two picks. Accordingly, these are two dividend stocks I think are worth considering right now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2022/02/18

Author

chrismacdonald

default watermark

default watermark