Passive Income Ideas: Top Dividend Stocks to Watch Today

Description

Passive income investors have plenty of opportunities with the numerous battered dividend stocks that have fallen from glory over the past few months. Indeed, rate hikes and geopolitical turmoil have concentrated the selling in mostly tech stocks, but many value plays have been dragged down as well. Some of the cheap dividend stocks have become even cheaper, and their dividend yields have swelled accordingly. In this piece, we'll have a closer look at one top dividend play at the head of my watchlist in mid-April.

The U.S. Federal Reserve and Bank of Canada are ready to hike rates after standing pat for nearly two years. Inflation has gotten too hot, and the economy may need to take a step back after taking three forward since the stock market bottom in March 2020. This hawkish pivot by central banks has some pundits worried that a recession will strike, making a soft landing difficult, given the lack of tools the Fed has now that it's decided to tighten its grip.

Rates surge: why the landing may be less soft than expected

Undoubtedly, the Fed has been accommodative for quite a while. Although the numerous risks would have led central banks to rethink rate hikes, inflation is leaving them no choice. In Canada, inflation is hot at around 5%. In the U.S., it's grown out of control at nearly 8%. Should the Consumer Price Index hit the double digits, the 10-year Treasury note could surpass the 3% mark, and stock markets could be at risk of falling below the March 2022 bottom.

In any case, it seems like the stage is not yet set for a big tech rally, with big tech stocks taking yet another hit to the chin on Monday. Eventually, growth stocks will bounce higher again, and when they do, it'll be a vicious rip to the upside. Still, chasing the rips or reaching out to catch falling knives on the dips does not seem like a great strategy for beginner investors who don't have a game plan. Exhausting one's liquidity reserves by buying multi-month dips is a real risk.

That's why nibbling on the way down is the best way to go. Unfortunately, many are likely to get excited by chasing such names after a big jump is already in the rear view. That's why discipline among investors is so important, as not all corrections or bear market plunges are followed by 2020-

style, V-shaped recoveries. If anything, such sharp recoveries aren't even the likeliest of scenarios, given many high-tech speculative plays are unlikely to see their highs in this decade.

Personally, passive income stocks stand out as better buys on the dip. With a preference for strong balance sheets and resilient operating cash flow streams, one can ensure the stability of a stock's payout.

Algonquin Power: dividends and defence

Currently, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) stands out as an intriguing bargain in the passive income space. The green energy power producer is fully invested in growth, but it has a great, stable cash-flow-generative utility business to fall back on. Indeed, the firm seems to be getting the best of both worlds. Although the firm's forward-looking renewable power projects will be expensive, the recent surge in oil prices is only expected to give the green energy plays a jolt.

As shares of Algonquin attempt to climb out of correction, I wouldn't hesitate to buy on modest strength, even if a recession is on the way. Numerous pundits think oil prices will stay higher for longer. If this ends up being the case, look for a second bullish run-up in the green energy plays like Algonquin.

At writing, the stock sports a safe and growing 4.3% dividend yield after fluctuating in a two-year consolidation channel.

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