Retirees: Should You Sell in May and Go Away This Year?

Description

Retirees have been feeling the pain of the one-two punch hit by inflation and market turbulence. Indeed, stagflation seems inevitable at this juncture. This season's round of earnings has been quite mixed. Worse, the outlook for some firms sounds pretty downbeat. As the big banks slowly increase the odds of recession, I think investors ought to play it safely with many defensive dividend stocks that can still provide shelter for investors.

Stagflationary fears mounting; bear market roars in the Nasdaq: Sell in May?

Ah, sell in May and go away: that's the phrase we've heard almost every year, regardless of what the markets have been doing going up to the month. Such an arbitrary strategy makes no sense. And although it seems wise to take profits and flee the markets this time around, I'd argue that this May is the one you'll want to stick around. Why? Remember that the best days tend to follow the worst days in markets. While they're impossible to predict, you could be left out of the biggest bounce-back gains if you think you've got what it takes to get out now and get back in at the market's bottom.

Timing the market is a foolish (lower-case *f*, folks) endeavour, especially for retirees amid inflationary times. Arguably, inflation is a worse beast than market volatility these days. With the prices of many high-quality stocks now marked down considerably, it may be time to give the many battered names out there a second look.

In this piece, we'll do just that. We'll have a closer look at two stocks that I believe are value names that are essentially hiding in plain sight.

So, with the TSX Index likely to crush the U.S. indices, please do consider the following home-grown names.

Telus

Telus (TSX:T)(NYSE:TU) is a dividend stud that was built for times like these. Slowing growth and higher inflation is an environment that Telus can fare well in versus your average discretionary play. The telecom titan may not have the highest dividend yield, but what it does have is the perfect mix of growth and passive income.

The stock is also looking quite cheap following the latest 7% slip off of its recent high. The stock trades at $32 and change per share. That puts the price-to-earnings multiple at 26.24. Now, that's quite pricy from a historical perspective. But given all the market risks, I'd argue that the slightly higher multiple is worth paying. With a 4.1% dividend yield, investors would likely do far better over the next three years than if they just held cash. With inflation at 6.7% (and rising), Telus provides a risk-averse way to stay ahead in what could be a doozy of a year.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has a larger dividend yield, currently sitting at 6.2%. The pipeline giant may have enjoyed nice capital gains through the year, now up around 18% since the start of May 2021. Thanks to the energy industry tailwinds, I see Enbridge providing the perfect combo of capital gains and dividend hikes.

Indeed, Enbridge is one of few firms that continued to raise the bar on its payout through the coronavirus recession. As investors brace for another potentially longer-lived recession, Enbridge stock ought to be considered. Elevated energy prices are a major reason why pipelines like Enbridge may be immune from excessive downside this time around.

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