2 Defensive Dividend Stocks to Buy in a Volatile Market

Description

The market pullback over the past few weeks is making it harder for investors to decide where to put new money to work. One popular investing strategy in these situations involves buying defensive stocks that pay reliable dividends.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with $58 billion in assets located in Canada, the United States, and the Caribbean.

The firm gets 99% of its revenue from regulated assets. These include power generation, electricity transmission, and natural gas distribution operations. Homes and businesses require electricity and natural gas regardless of the state of the economy, so cash flow tends to be reliable and usually predictable. That's important to consider when making new investments today, as economists are increasingly warning that a recession is on the way in the next couple of years.

Fortis grows by making strategic acquisitions and investing in new capital projects. The current $20 billion capital program is expected to increase the rate base by about a third through 2026. As a result, revenue and cash flow should rise enough to support average annual dividend hikes of at least 6% through 2025. That's great guidance for dividend investors who don't want to worry about how potential economic turbulence will impact their passive income.

Fortis raised the dividend in each of the past 48 years. The current payout provides an annualized yield of 3.3%.

Fortis stock is up 7% in 2022 compared to a 4.5% drop for the **TSX Index**.

BCE

BCE (TSX:BCE)(NYSE:BCE) is another company that provides essential services. The communications giant enjoys a strong competitive position in the Canadian market and has the balance sheet strength to make the investments needed to keep the mobile and wireline networks capable of meeting rising broadband demand.

BCE spent $2 billion last year on new 3,500 MHz spectrum. This will be used to expand the company's 5G network. BCE is also pushing ahead with its fibre-to-the-premises program that runs fibre optic lines right to the building of its residential or business clients.

The board raised the dividend by at least 5% in each of the past 14 years. BCE is targeting free cash flow growth of 2-10% this year, even with the large capital outlays. Investors should see dividend hikes continue along the same trend for the coming years.

At the time of writing, the stock looks a bit oversold and offers income investors an attractive 5.4% yield. BCE stock is still up 3.6% in 2022, even after the recent pullback.

The bottom line on top defensive stocks to buy now

Fortis and BCE are top dividend stocks with long track records of distribution growth that should continue even if the economy goes through a downturn. If you have some cash to put to work in a self-directed TFSA or RRSP, these stocks deserve to be on your radar.

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