2 Top Defensive Stocks to Buy for the Rest of 2022

Description

Canadian RRSP and TFSA investors are searching for top stocks to buy that can ride out the anticipated turbulence in the market.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) has $58 billion in assets in Canada, the United States, and the Caribbean. The company gets 99% of its revenue from rate-regulated businesses that include power generation, electric transmission, and natural gas distribution operations. This means cash flow is quite predictable and reliable, regardless of the state of the economy.

Fortis drives grow through the acquisition of other utilities and the expansion of its existing assets via development projects. The utility sector is expected to consolidate in the coming years, and Fortis will likely be a buyer. At the same time, the company has a $20 billion capital program underway that will increase the rate base by about $10 billion over five years. Management expects the resulting increase in cash flow to support average annual dividend increases of 6% through at least 2025. Additional projects are under consideration that could boost the size of the payouts and extend the dividend-growth guidance.

Fortis raised the distribution in each of the past 48 years. The current payout provides a 3.4% dividend yield.

Homes and businesses need to use electricity and natural gas in all economic situations. The lights have to stay on, the building needs to stay warm, and people have to cook their food and heat their water. As a result, Fortis has built-in recession protection. The stock isn't immune to market pullbacks, but it should hold up well given the stable revenue profile and strong dividend-growth outlook.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is a leading player in the North American energy infrastructure industry with more than $100 billion in assets located in Canada, the United States, and Mexico.

TC Energy’s largest operations are natural gas transmission and storage. The company has 93,300 km of natural gas pipelines and hundreds of billions of cubic feet of gas storage capacity. Natural gas demand is rising across the globe and North America has abundant and reliable resources to meet the needs of both domestic users and international buyers.

The war in Ukraine has changed the global natural gas market. European countries are rushing to secure new supplies to replace gas previous purchased from Russia. Shipments of liquified natural gas from the United States to Europe are expected to increase significantly in the coming years. TC Energy has the infrastructure in place or under construction to move natural gas from producers to existing and future LNG facilities in the U.S. and Canada.

TC Energy has a $25 billion capital program in place that will drive future revenue and cash flow growth. Management intends to raise the dividend by 3-5% per year over the medium term.

The current distribution provides a yield of 4.9%.

The bottom line on top defensive stocks

Fortis and TC Energy generate steady revenues and offer solid dividend-growth guidance for the coming years. If you have some cash to put to work in a TFSA or RRSP today, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
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