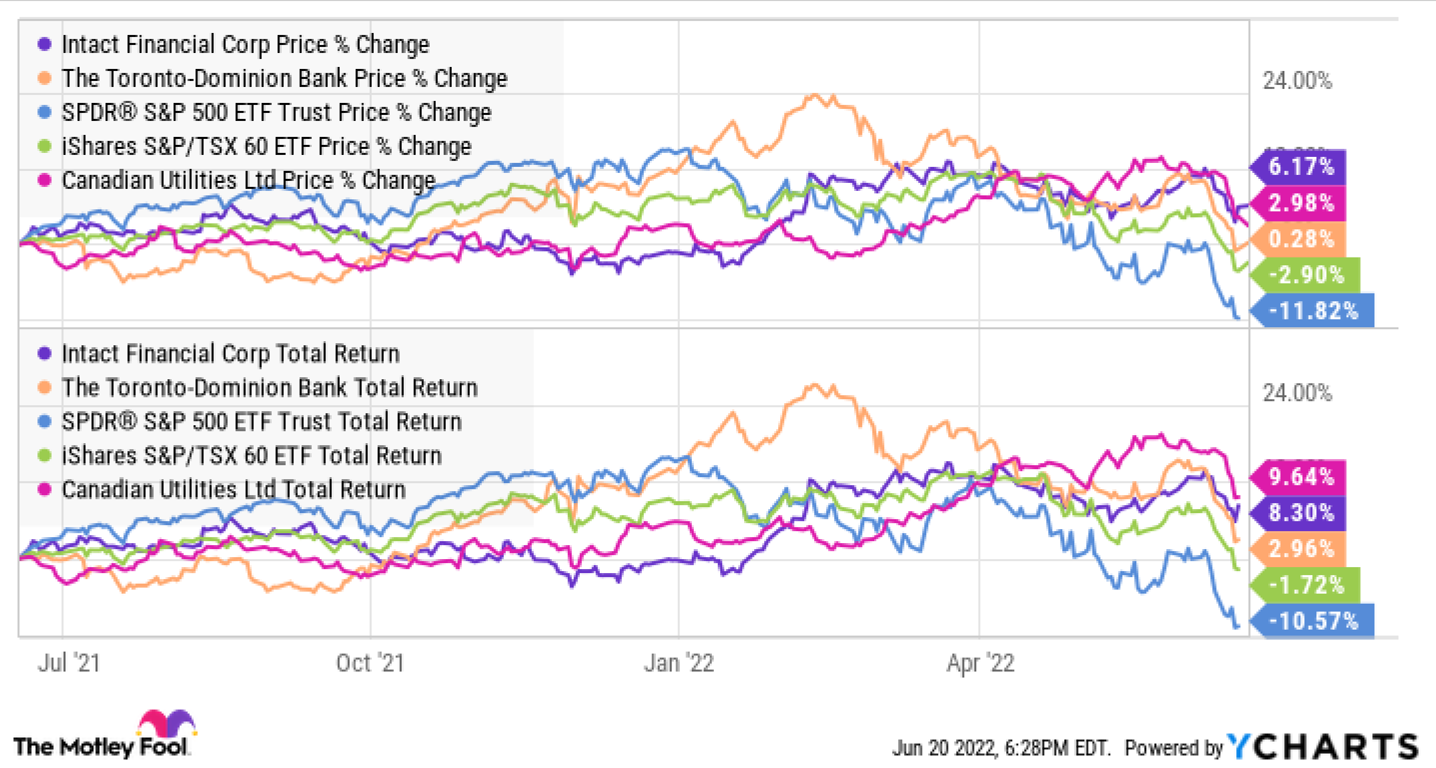
3 Defensive Dividend Stocks for Lower Volatility in Market Corrections

Description

Many stocks are in the red compared to a year ago as a market correction is taking place. Investors looking for defensive dividend stocks that are relatively resilient in this market downturn can turn their heads to the following stocks.

These dividend stocks have held up better and outperformed the U.S. and Canadian stock markets over the last 12 months, particularly, after accounting for dividends received.

The charts below illustrate the price action and total return (that includes price changes and dividend returns), respectively.



IFC, TD, and CU data by YCharts

First, there's **Canadian Utilities** (TSX:CU).

A defensive dividend stock with a nice yield

Canadian Utilities is a Canadian Dividend Aristocrat with the longest dividend-growth streak on the **TSX**. It has increased its dividend for approximately half a century.

The stock trades about 3% higher than it was 12 months ago. Accounting for its dividend, it has delivered returns of roughly 9.6% over the last year. According to Yahoo Finance, its recent beta is 0.57, which implies lower volatility of about 43% than the market.

The regulated utility has been a Steady Eddie stock that has been range bound between about $32 and $42 per share since 2015. The resilient stock trades at $36 and change per share at writing. So, conservative investors should wait to see if the utility stock will drop another 12% or so before considering a position.

Right now, the defensive dividend stock yields above 4.8%. At about $32 or so, it would yield about 5.5%.

Next, we have **Intact Financial** (TSX:IFC).

Another low-volatility stock resilient to market corrections

Intact Financial is another dividend stock that's resilient to market corrections. The stock has essentially defied gravity by rising in the long run. In the last 10 years, it has tripled investors' money by delivering annualized returns of about 12.7%.

The stock trades about 6% higher than it was 12 months ago. Including dividends, it has delivered returns of roughly 8.3% over the last year. According to Yahoo Finance, its recent beta is 0.67, which implies about 33% lower volatility than the market.

Intact Financial takes a leading position in the fragmented property and casualty insurance markets. Furthermore, it has a track record of outperforming the industry in terms of having a combined ratio that's better by 4.8% in Canada and 1.6% in the United States. In addition, it has delivered 6.4% improved performance on its adjusted return on equity versus the industry. Specifically, Intact Financial's five-year return on equity is approximately 12.6%.

The stock yields almost 2.3% at writing. At $176 and change per share, the defensive dividend stock is reasonably priced. Should it dip lower in this market correction, conservative investors can consider taking a bite.

Last but not least is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

Why TD stock is a defensive dividend stock

Big Canadian banks like TD Bank enjoy a oligopoly environment in which they have gobbled up the lion's share of the banking market in Canada. They're also under strict regulation, which oversees the big picture to ensure the Canadian financial system remains stable through economic cycles.

For example, the regulator would restrict the big bank stocks, including TD, from increasing their dividends during highly uncertain economic times. Dividend freezes occurred for the banks during the recent pandemic and the last financial crisis.

By all means, TD had the financial position to increase dividends if the regulatory restriction wasn't in effect. On its balance sheet, TD has $67 billion in retained earnings, which can cover about 15 years of dividends. During difficult economic times, the banks continue to make tonnes of money, even though the earnings may drop from the previous year.

TD stock's trailing-12-month net income is almost $14.9 billion. It's a good buy now for a yield of almost 4.1%, but the market correction can provide an even more attractive entry point over the next months — potentially in the low $70-80's range.

CATEGORY

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2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:IFC (Intact Financial Corporation)
4. TSX:TD (The Toronto-Dominion Bank)

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