2 Top Defensive TSX Stocks to Buy for Stable Passive Income

Description

It is no secret that 2022 has not been the best year for the stock market. Rising inflation rates, a slew of geopolitical issues, and several other macroeconomic factors have been weighing equity markets down significantly this year. The Bank of Canada (BoC) and the U.S. Federal Reserve have been enacting interest rate hikes to bring record inflation levels under control.

Higher interest rates are a measure typically used to control inflation. However, increasing interest rates decreases borrowing capacity and slows down economic activities. To make matters worse, interest rate hikes do not have an immediate impact on inflation. The result is a substantial degree of weakness, uncertainty, and volatility.

The latest U.S. Fed meeting resulted in the most significant interest rate hike across the border in the last 28 years. The next day saw markets go through a pullback similar to the one we saw in March 2020, as the pandemic struck. The **S&P/TSX Composite Index** is down by almost 15% from its all-time high at writing.

It is likely for markets to continue trading weak in the coming weeks due to steeper interest rates. Taking a defensive stance could be the most viable way forward to remain in the equity market. Dividend investing has been a popular trend in the stock market in recent months.

Today, I will discuss two defensive dividend stocks that could warrant a place in your self-directed portfolio for this purpose.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a $27.88 billion market capitalization utility holdings company that owns and operates several utility businesses across Canada, the U.S., Central America, and the Caribbean. Serving over 3.4 million customers, the company provides them with electricity and natural gas supplies, making it an essential business.

The company generates most of its revenue through highly rate-regulated and long-term contracted assets, providing it with predictable cash flows.

Fortis stock trades for $58.47 per share at writing, and it boasts a juicy 3.66% dividend yield. Fortis stock shares are down by 10.12% from its May 2022 high. Investing in its shares at current levels could help you lock in an inflated dividend yield. You can also enjoy wealth growth through capital gains once its valuation normalizes as the market settles.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a $107.36 billion market capitalization giant in the Canadian energy sector. The company owns and operates one of the most extensive midstream pipeline networks in the region. It is responsible for transporting a significant portion of all the hydrocarbons used in Canada and the U.S., making it an essential service provider.

Enbridge stock trades for $52.98 per share at writing, and it boasts a juicy 6.49% dividend yield. Investing in its shares at current levels could help you leverage its inflated dividend yield and generate significant passive income through its shareholder dividends.

Holding onto its shares for the long run could provide you with wealth growth through capital gains if its share prices eventually rise to more reasonable levels again.

Foolish takeaway

In times of market uncertainty, remaining invested in the market means that you will likely face losses due to declining valuations of assets held in your portfolio. However, allocating some of your capital to dividend stocks could keep the money rolling into your account through reliable shareholder dividends.

Fortis stock and Enbridge stock are two income-generating assets that could build strong foundations for a passive-income portfolio to earn stable revenues while you wait for the market to settle down.

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