2 Dividend Kings That Could Outperform in a Bear Market

Description

The Canadian stock market has been in a state of flux since the latest interest rate hike announcement by the U.S. Federal Reserve. The energy sector's recent pullback has led to the entire market experiencing a major correction. The **S&P/TSX Composite Index** is down by 14.46% from its 52-week high. The Canadian benchmark index is close to the lowest levels it has been in the last 13 months.

Many investors believe we are in the middle of a bear market, and others believe we are dangerously close to those levels. The market correction has negatively impacted stocks across the board. However, not all dividend stocks warrant being at levels as low as they are at today.

Market downturns like these create the opportunity for investors to lock in high dividend yields through top dividend stocks. Choosing any high-yielding dividend stock might not be the wisest move. The trick is to invest in businesses with cash flows that are unlikely to be affected by the broader market weakness.

Canadian dividend stocks with the reputation of reliably paying their shareholders their dividends could make ideal investments in the current market. I will discuss two such dividend stocks you could consider adding to your portfolio right now.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a $56.54 billion market capitalization giant in the Canadian telecom space. The company is the most significant player in Canada's largely consolidated telecommunications industry.

When people create a budget for a recession, they cut down several expenses to save money. Telecom and internet services are two things people never cut to save on bills, making BCE's cash flows secure.

BCE stock trades for $62.12 per share at writing, and it boasts a juicy 5.92% dividend yield. Its valuation is down by 16.15% from its 52-week high. The business is going strong, and its financial performance does not appear to be weakening. It could be an excellent time to buy its shares at a considerable discount amid its 5G rollout.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a $27.92 billion market capitalization utility holdings company that owns and operates several utility businesses across Canada, the U.S., Central America, and the Caribbean. The company provides electric transmission and natural gas utility services to over 3.4 million customers.

To say that its cash flows are secured would be an understatement. It is an essential business virtually guaranteed to generate strong cash flows regardless of the market environment.

Fortis stock trades for $58.55 per share at writing and boasts a 3.65% dividend yield. Its share prices are down by 10.28% from its 52-week high. The company’s financial performance is not a concern because it provides an essential service to its customers.

Fortis generates predictable cash flows through highly rate-regulated and long-term contracted assets. The Canadian Dividend Aristocrat also boasts a 48-year dividend-growth streak that cements its reputation as a dividend stock that investors can rely on.

Foolish takeaway

After the pullback, Fortis and BCE stock appear to be undervalued at current levels. Both businesses generate strong cash flows that allow the dividend stocks to keep up with their distributions for the foreseeable future without interruptions.

Suppose you have some cash set aside to work in a Tax-Free Savings Account to focus on generating passive income or long-term total returns. In that case, investing in reliable Canadian dividend stocks like Fortis and BCE could be viable.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
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