2 Dividend Stocks to Own When the Market Is in Turmoil

Description

The TSX is in the midst of a correction, although stocks are far from a free fall, like cryptocurrencies. Still, investors have every reason to feel anxious about the unpredictability of the market. The red-hot energy sector lost steam, as it returned some of its gains in last week's selloff.

Runaway inflation and aggressive rate hikes by central banks are causing market jitters. But instead of pushing the panic button, market analysts advise investors to stay calm amid the turmoil. Their suggestion is to prepare for volatility, including potential big swings in stock prices.

For income investors, now is the time to do a portfolio check. Is your chosen company reliable to overcome the headwinds? Can it sustain dividend payments while waiting for the market to rebound or when sanity is restored?

Resilient big bank

Economists at **National Bank of Canada** (TSX:NA) say that most global equity markets will continue to face an uncertain geopolitical environment and supply shocks from food, energy, and the pandemic. They add that both factors fuel inflationary pressures. Meanwhile, rising interest rates could blur the profit outlooks of companies.

Canada's sixth-largest bank isn't immune from the massive headwinds. The big bank stock has dropped 10.34% from its closing price on year-end 2021. However, the price drop didn't prevent management from raising its dividend by 5.7% effective August 2022. The current share price is $85.70, while the dividend yield is 4.29%.

In Q2 fiscal 2022, net income rose 11% to $893 million versus Q2 fiscal 2021. On a year-to-date basis (six months ended April 30, 2022), net income grew 17% year over year to $1.82 billion. According to its president and CEO Laurent Ferreira, each business segment contributed to the sustained growth of the Bank.

The net incomes of the U.S. Specialty Finance & International and Financial Markets segments increased 18% and 17%, respectively, compared to the same quarter in fiscal 2021. Ferreira said, "We are maintaining our strategic objectives of delivering a high return on equity and ensuring prudent management of risk and regulatory capital."

Besides the business' resiliency, the low 32% payout ratio of National Bank should give you the confidence to own the stock today.

Business stability

Investors won't ditch **Fortis** (TSX:FTS)(NYSE:FTS), despite the heightened market volatility. This top-tier utility stock is for risk averse and defensive investors. Apart from the rock-steady dividends, the absolute amount of the payouts is growing. The $29.96 billion electric & gas utility company has increased its dividends for 48 consecutive years.

At $57.96 per share, Fortis is down by only 3.3% year to date. Current investors enjoy a 3.64% dividend. Expect revenues and income streams to remain stable, because nearly 100% of the utility assets regulated. Thus, Fortis takes pride in delivering long-term and superior returns to would-be investors.

Moreover, management plans to increase its dividends by 6% on average annually. The goal is achievable because the new $20 billion capital (2022 to 2026) will increase Fortis's base rate by approximately 6% (CAGR) within the five-year period. The stability of the transmission and distribution business is the stock's competitive advantage.

Need for safety nets

Income investors need safety nets like National Bank of Canada and Fortis in times of distress. Both companies can weather the market turmoil, even if it extends longer than expected.

CATEGORY

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2. TSX:FTS (Fortis Inc.)
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