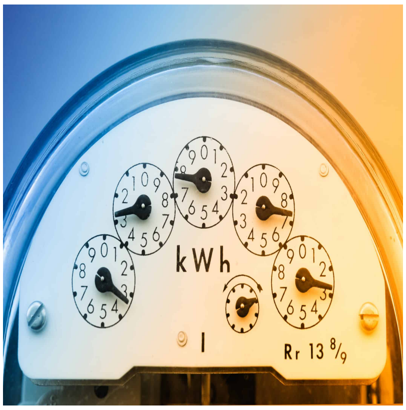

Fortis (TSX:FTS) Stock: A Solid Recession Buy

Description

The **S&P/TSX Composite Index** has been in a volatile state for the last few weeks. Since the U.S. Federal Reserve announced its latest interest rate hike, stock markets have become increasingly uncertain. The Canadian benchmark index is down by 13.30% from its 52-week high at writing.

While stock markets are performing much better than cryptocurrencies, investors are still anxious about what lies ahead in the market. The energy sector kept the Canadian benchmark index going strong, but it lost steam after the aggressive rate-hike announcement. Market analysts keep advising investors to remain calm, but large swings in asset prices have led to increasing fears of a recession.

The bear market conditions right now require investors with a long investment horizon to make more calculated decisions. Not all stocks tend to become a significant risk for investors during bear markets and recessions. High-quality companies with resilient operations that can withstand the turmoil of recessionary market environments could still provide you with a hedge against the volatility.

Fortis (TSX:FTS)(NYSE:FTS) is one such stock you could consider for your self-directed portfolio.

A stable and resilient business

Fortis is a $28.98 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 serves over 3.4 million customers and provides electricity and gas utility services. The company generates almost its entire revenue through highly rate-regulated and long-term contracted assets.

It means that Fortis stock can generate predictable cash flows. The ability to generate predictable and stable cash flows during harsh economic environments is a quality unique to essential businesses like Fortis stock.

When recessions hit, consumers scramble to cut down on any expenses they can. Gas and electric utility services are not even the last things on the list of things to cut off, making Fortis stock a resilient business during recessions.

Its ability to continue earning stable revenues allows the business to fund its capital programs and shareholder dividends comfortably.

A Canadian Dividend Aristocrat

Fortis stock has an exceptional track record for paying its shareholders their dividends. The company is a Canadian Dividend Aristocrat with a 48-year streak of delivering dividend hikes. It has managed to increase its payouts to shareholders through several bear markets. Despite the heightened market volatility, it has established itself as a top stock for risk-averse and defensive investors.

The company's management is confident in its outlook for the next few years. After its $20 billion capital program ends in 2026, Fortis can increase its rate base by an approximately 6% CAGR. Fortis's management plans to increase its shareholder dividends by 6% each year for the next few years, owing to its capital program.

Foolish takeaway

Fortis stock trades for $60.77 per share at writing and boasts a 3.52% dividend yield. Its share prices are down by 6.88% from its 52-week high due to the overall weakness in the market. However, the underlying business appears stable and does not show any signs that should make investors worry about their investment returns.

If you want to add more defensive assets to your self-directed portfolio, this Canadian Dividend Aristocrat could warrant a place among your long-term holdings.

CATEGORY

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