2 Dividend Stocks to Hold in a Recession

Description

The **S&P/TSX Composite Index** dropped 286 points on July 14. Fears of a looming recession have increased among experts and casual onlookers alike in recent weeks. A recent survey by Leger revealed that 59% of Canadian respondents said they think the country is already in a recession. Today, I want to discuss why analysts have increasingly sounded the recession alarm. Moreover, I want to zero in on two dividend stocks that you can trust in an uncertain economic climate.

Why are more and more experts predicting a recession?

This week kicked off with a higher-than-expected interest rate hike from the Bank of Canada (BoC). The central bank elected to hike the benchmark interest rate by a whopping 1% on Monday, July 11. Policymakers have heightened urgency, as Canada is battling sky-high inflation. It will be hard to achieve stability while consumers are under this intense pressure.

However, these interest rate hikes also threaten to derail a market and economy that has gorged on over a decade of loose monetary policy. Interest rates sank even further to historic lows in response to the COVID-19 pandemic. Many analysts and experts fear that the rate-tightening cycle could deliver a major blow to sectors like banking and real estate.

Here’s a dividend stock you can trust in an uncertain climate

Investors are understandably anxious with a potential recession looming large. Fortunately, there are dividend stocks that can offer dependability in this environment. Canadian transportation services like rail will continue to deliver an essential function. That is why investors should target a dividend stock like **CP Rail** (TSX:CP)(NYSE:CP).

CP Rail is a Calgary-based company owns and operates a transcontinental freight railway in North America. Shares of this dividend stock have dropped 2.3% in 2022 as of close on July 14. The stock is still up marginally in the year-over-year period.

Investors can expect to see CP Rail's second-quarter 2022 earnings later this month. In Q1 2022, the company saw total revenues drop to $1.84 billion compared to $1.96 billion in the previous year. Meanwhile, its adjusted operating ratio (OR) rose 1,130 basis points to 69.8%.

This dividend stock possesses a price-to-earnings (P/E) ratio of 23. That puts CP Rail in favourable value territory compared to its top competitors. It offers a quarterly dividend of $0.19 per share, representing a modest 0.8% yield.

One more rail-focused dividend stock to scoop up today

Canadian National Railway (TSX:CNR)(NYSE:CNI) is a Montreal-based company that is engaged in the rail and related transportation business. This dividend stock has declined 6.2% in the year-to-date period. Its shares are still up 9.8% from the previous year.

This company is also set to unveil its next batch of earnings in the final week of July. It released its first-quarter 2022 results on April 26. CNR delivered revenue growth of 5% to $3.70 billion. Meanwhile, adjusted operating income increased 4% year over year to $1.23 billion.

Shares of this dividend stock also possess an attractive P/E ratio of 21. It offers a quarterly dividend of $0.733 per share. That represents a 2% yield.

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