2 Canadian Stocks to Buy With Dividends Yielding More Than 3%

Description

Recession fears have accelerated since last week, followed by the Bank of Canada's supersized 1% benchmark interest rate hike. The volatile market backdrop amid surging inflation rates has warranted this record rate hike, and Governor Tiff Macklem said, "It reflects very unusual economic circumstances."

As central banks globally focus on taming the inflation rates, the possibility of a "soft landing" seems bleaker by the day. In fact, 59% of Canadians already believe that the economy is in recession, according to the latest poll.

In addition, 80% of the respondents expect prices to keep rising in the near term. According to **Royal Bank of Canada**, the Canadian economy will enter a moderate and short-lived recession next year. So, how do you invest in such an environment?

Dividend stocks have a long-standing history of beating the prevailing inflation rates. Moreover, during fluctuating price movements, such stocks can act as a hedge against bear market risks by providing a steady stream of passive income. Thus, fundamentally sound dividend stocks with established payout history can help you secure your portfolio against market risks and inflation today.

Enbridge

The Calgary-based energy infrastructure provider is one of the best-performing Canadian stocks so far this year. **Enbridge** (TSX:ENB)(NYSE:ENB) has soared 12.4% year to date, thanks to the rising crude oil prices. In fact, the benchmark **S&P/TSX 60 Composite** index's 1.4% rise over the past five days was driven by the stellar rally of energy stocks such as Enbridge.

With strong revenues and cash flows, Enbridge is poised to deliver robust returns even under a recessionary backdrop. The company's adjusted earnings improved 6.25% year over year to $1.7 billion in Q1. Further, its distributable cash flow stood at $3.1 billion, up 10.71% year over year in the March quarter.

Enbridge pays $2.67 annually as dividends, yielding an impressive 6.2%. Moreover, the company's four-year average dividend yield is 6.54%. Over the past 10 years, Enbridge's dividend has grown at an annual rate of over 10%.

In addition, oil prices may rise once again as supply crunch worries overwhelm the economic slowdown fears. So, you can expect Enbridge stock to soar in the near term and deliver outsized gains. Concerns regarding a weaker U.S. dollar are expected to boost oil prices as well, driving ENB stock higher. Bay Street analysts are also predicting a 10.61% upside for ENB stock in the next 12 months.

BCE

BCE (TSX:BCE)(NYSE:BCE) is the largest telecom company in Canada. As of March 31, BCE has 9.5 million wireless mobile phone subscribers and four million retail high-speed internet subscribers. Also, the company has total assets worth $67.34 billion as of March 31, 2022.

BCE is an ideal recession-proof stock, as telecom demand will likely remain stable irrespective of business cycle fluctuations. In addition, the stock has a handsome dividend yield of 5.75%, ensuring steady passive-income generation. BCE's annual dividend payouts have risen at a CAGR of 5.9% over the past five years.

The company's solid liquidity position and cash flows should facilitate timely dividend payouts, despite economic challenges. Its trailing-12-month net operating cash flows amounted to $6.18 billion.

BCE's revenues and earnings are expected to grow marginally through fiscal 2023, demonstrating its financial strength. As defensive stocks are poised to gain traction given the volatile market scenario, analysts expect BCE to sustain its momentum in the upcoming months. Bay Street analysts expect the stock to hit $68.54 within the next 12 months, indicating a 7.75% potential upside.

CATEGORY

1. Dividend Stocks
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