Passive Income: 2 Top Dividend Stocks to Buy Before They Rally Any Further

Description

Don't look now, but the Canadian stock market is showing signs of bullishness. Through the first six months of the year, the **S&P/TSX Composite Index** had dropped more than 10%. But after a strong showing over the past month, the Canadian stock market is now down less than 5% on the year as of writing.

A 5% loss on the year is nothing to celebrate about. However, when looking at all the short-term uncertainty in the economy, it's a relief to see some strength in the stock market. But with both inflation and interest rates not expected to begin dropping significantly anytime soon, I can understand why some investors, including me, may be skeptical of the recent surge.

Bracing for more volatility in the stock market

I'm as thrilled as the next bullish investor about the market's performance over the past month. That being said, I certainly don't think we're out of this bear market just yet. With the final confirmation on whether we're technically in a recession or not yet still to come, it may be a while longer before the S&P/TSX Composite Index is back to trading at all-time highs.

All that to say, I'm bracing my portfolio for more volatility to come. In addition to loading up on more defensive companies, I'm also looking toward dividend stocks.

Passive income generated through dividend-paying companies can help offset some of the temporary losses in my high-growth tech holdings.

Fortunately, the TSX has no shortage of high-yielding dividend stocks to choose from today. I've reviewed two Dividend Aristocrats that I've got at the top of my watch list right now.

Dividend stock #1: Algonquin Power

There's a lot to like about this $12 billion company. At a nearly 5% dividend yield, **Algonquin Power** (TSX:AQN

)(NYSE:AQN) should be on every passive-income investor's radar.

The dependable utility stock has seen its stock price jump over the past month, slightly lowering the still impressive yield.

Dividends aside, Algonquin Power can provide a portfolio with defensiveness. There's not much to get excited about in the utility industry. But during bear markets, there aren't many better companies to own than utility providers like this one.

What makes this dividend stock a rare find on the TSX is the company's growth potential. Over the past five years, shares are up a market-beating 40%. And that's not even including dividends, either.

The stock is up close to 10% over the past month. At that rate, I don't think it will be long before this top utility provider is back to trading at all-time highs.

Dividend stock #2: Bank of Nova Scotia

Passive-income investors can't go wrong with buying any of the major Canadian banks right now**.**

At today's stock price, **Bank of Nova Scotia's** (TSX:BNS)(NYSE:BNS) 5% dividend yield ranks it top amongst the Big Five.

The yield isn't the only metric passive-income investors should be focused on, though — especially during bear markets, a dependable payout should be top of mind when researching dividend stocks. Being labelled as a Dividend Aristocrat status is certainly a positive sign, but I'd also be curious about how long the company has been paying a dividend.

Bank of Nova Scotia is nearing an incredible streak of 200 consecutive years of paying dividends to its shareholders.

If you're willing to sacrifice long-term growth potential for a dependable payout, this bank is the perfect dividend stock for you.

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