Dividend Lovers: A Top Stock to Buy Ahead of a Recession

Description

With a mild and potentially short-lived recession just around the corner, it may make sense to have a second look at some of the low-cost dividend stocks while they tread water as a part of the latest market pullback. Indeed, the June-August rally we've had was quite fast and furious, leaving those panicking little time to pivot or position accordingly.

Simply put, if you panic sold, you lost in a big way. Though the recent dip in broader markets ahead of the U.S. Jackson Hole meeting is leaving many with a bad taste in their mouths, I'd argue that such a meeting may not be the bad news event that everyone's making it out to be. Central banks are already in full-on hawk mode. And the dovish tilt that some hoped for seems to be off the table, with rates on the 10-year note rising above the 3% mark once again.

Market volatility is back: Don't panic

Undoubtedly, the recent slip in markets may be bringing back memories of the bear market bounces we've endured in the first half of 2022. Those who chased got hurt with quick losses. In any case, I believe the latest pullback in markets is only healthy. In fact, I feel more comfortable with a more than 3% pullback in markets after the type of move we've had since the June bottom. Pullbacks are healthy and can improve the sustainability of longer-duration upward moves.

Sure, it'd be nice if rallies could go on forever. But if they do, that's when the most vicious plunges tend to happen. Though nobody knows how low we'll go as the market retraces, I think those who were more than willing to jump in at last week's peak should pounce at the opportunity to snag bargains ahead of a Jackson Hole meeting that seems to already be a hawkish event, with little to no chance of any dovish tilt.

Though the Fed is highly unlikely to sound more dovish, I think that any less-aggressive stance on rate hikes could be enough to comfort markets. In any case, this pullback, I believe, is a healthy one and should be viewed as such by long-term investors.

TC Energy: A pipeline powerhosue with a huge dividend

At this juncture, dividend studs like **TC Energy** (TSX:TRP)(NYSE:TRP) stand out as stellar buys. The stock yields 5.53% at writing, with the means to grow at an above-average rate moving forward, thanks to the recent pick-up in demand for domestic energy. The stock recently fell more than 15% before a tiny bounce off the bottom to around $65 per share.

Though the diversified midstream firm could slip further alongside the rest of the market, I am a huge fan of the firm’s positioning ahead of what could be a North American natural gas boom. Indeed, natural gas isn’t nearly as filthy as some of the other fossil fuels and could make for a great transitional energy en route to wind, solar, and all the sort.

With a robust liquids pipeline that stands to benefit from the “higher for longer” energy environment, I view TC Energy as more of a utility-like dividend stud than a volatile energy stock. The midstream energy names are where investors will want to be for stellar payouts and handsome capital gains.

At writing, shares of the well-run pipeline firm trade at 20.4 times trailing price-to-earnings (P/E), slightly below the industry average of 21.2.

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