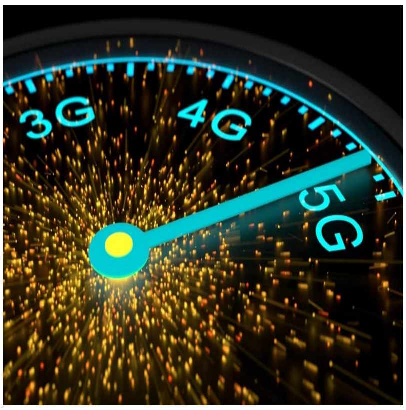

September Rate Hike: 2 Stocks That You Shouldn’t Worry About

Description

The aggressive rate hike campaign by the Bank of Canada is unfriendly to stocks. Canada’s primary stock exchange could enter a bear market as investors brace for another interest rate hike on September 7, 2022. Economists are guessing again how much the fifth increase will be.

Stock investors are on edge, although some income stocks should hold up well against rate hikes and inflationary pressures. **TELUS** (TSX:T)(NYSE:TU) and **AltaGas Ltd.** (TSX:ALA) are among the **TSX** stocks you can buy today for portfolio stability and passive income.

Growing and expanding

TELUS is a strong buy today for its growing and expanding business. Canada’s second-largest telco reported glowing financial results in Q2 2022. Because of higher subscriber numbers, net income for the quarter reached a record $498 million, representing 45% earnings growth from Q2 2021.

Darren Entwistle, President and CEO of TELUS, said, “The hallmark of our organization pre-pandemic, during the pandemic, post the pandemic or any other exogenous event or any other industry development that happened is going to be consistency and excellence in execution.”

Mobile posted a significant percentage increase (6.4%) in operating revenues, while investments in the health (7.9%) and agriculture (39.7%) segments are reporting solid growth. A new growth catalyst looms if TELUS obtains approval to acquire LifeWorks by Q4 2022, and the acquisition should help TELUS Health achieve meaningful scale.

Management expects significant future cash flow expansion beginning in 2023, which should support its long-standing dividend growth program. This 5G stock ($30.10 per share) pays a hefty 4.5% dividend.

Lower-risk, high-growth

AltaGas operates a diversified, lower-risk, high-growth Utilities and Midstream business serving customers in North America. The $8.4 billion company delivered strong results in Q2 2022 due to the stellar performance of its two core business segments.

In the three months ended June 30, 2022, consolidated revenue and net income applicable to common shares increased 61% and 46% versus Q2 2021, respectively. Furthermore, cash from operations soared 551% year over year to $527 million. Apart from the impressive financial results, its President and CEO, Randy Crawford, gave a compelling reason to invest in AltaGas.

Crawford said, “Our ability to recycle capital into strategic growth opportunities and further improve our balance sheet will ensure that AltaGas is well-positioned to deliver sustainable future value for our stakeholders.”

Management’s primary focus is to deliver durable, growing earnings per share (EPS) and funds flow from operations (FFO) per share while targeting lower leverage ratios within the business over time. The strategy should support steady dividend growth.

AltaGas anticipates annual dividend increases to compound in the coming years. The target is a 5% to 7% compound annual growth rate (CAGR) through 2026.

Altagas is beating the broader market year to date, up 17.3% versus a slide of 6.4%. The current share price is $29.73, while the dividend yield is a decent 3.55%.

Preserve purchasing power

University of Calgary economics professor Trevor Tombe believes the inflation drop to 7.6% in July from 8.1% in June will not alter the Bank of Canada’s plans. He said, “It is important to remember, the monetary policy takes a long time to work its way through the economy.”

Since it will take time before the central bank can contain inflation, passive income from TELUS and AltaGas can help investors preserve their purchasing power.

CATEGORY

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2. Investing

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2. TSX:ALA (AltaGas Ltd.)
3. TSX:TD (The Toronto-Dominion Bank)

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