



2 Commodity Stocks to Buy to Create Long-Term Passive Income

Description

In this market, commodity stocks are once again in vogue among many investors. Previously eschewed by many, producers of commodities are seeing significant interest as market hedges in this time of volatility. Indeed, with commodity prices soaring, the thesis behind these stocks is relatively simple: everyone's looking for an inflation hedge right now.

However, commodity stocks can vary in a number of different ways. Most provide capital-appreciation upside for those who think higher prices are here to stay. However, those looking for a consistent stream of passive income in this sector may have to dig deeper.

Here are two of my top picks for investors looking to play the commodity boom, while also generating meaningful [passive income](#) over time.

Top commodity stocks: Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) recently reported its second-quarter ([Q2](#)) [earnings](#), which showed adjusted earnings per share of \$0.57. These results came alongside a sustainability report, which was quite the interesting read.

As a major North American utility provider, Fortis has shown incredible stability in its distribution and transmission business. The company's growth outlook remains strong, particularly in the company's ITC segment.

Trading in the natural gas and electricity commodity space, Fortis's business model is one that's proven to be extremely stable for a very long time. The company's cash flow stability has allowed Fortis to raise its dividend distribution for 48 consecutive years. Accordingly, for investors looking for passive income, Fortis remains a top pick of mine, at least from a growth perspective.

The company anticipates it will be able to raise its earnings by approximately 6% per year through 2026. Thus, Fortis's pledge to hike its dividend by around 6% a year through 2025 (giving the company a five-decade-long track record of hikes) is feasible.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a top Canadian Dividend Aristocrat that's worth a grab right now. This company has increased its dividend yield for the last 27 years. Accordingly, much of the same thesis is alive and well with Enbridge right now.

However, Enbridge's dividend yield today is much higher than Fortis's. With a [6% yield](#) (compared to Fortis's 3.6% dividend yield), investors stand to benefit from higher income today. For those already in retirement or worried about income needs now, this may be a better fit.

One of the largest pipeline operators in North America, Enbridge's cash flow streams are also highly predictable. Thus, over the long term, investors looking for passive income can sleep well owning this name.

Indeed, a diversified income-generating portfolio holding both of these names ought to do well over the long run. Fortis and Enbridge remain two top Canadian stocks every investor may want to consider in this volatile market.

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