Top 2 Dividend Stocks for Winter 2022

Description

Winter is nearly here, and the weather isn't the only thing that's cooling down. Economic activity is rapidly decelerating, as the central bank raises interest rates. Experts expect a recession in the near future.

Meanwhile, I believe consumers and households are already under pressure. This pressure could be fully reflected in winter when energy demand and holiday shopping soars. With that in mind, here are the top two dividend stocks that should be on your radar for winter 2022.

Slate Grocery REIT

Inflation is at a multi-decade high. Prices for consumer goods rose 7.6% in July over the previous year. That pace is far higher than wage growth or capital appreciation. Put simply, families are squeezed.

This means households may have to pull back on discretionary spending. I expect fewer clothes, plane tickets, and cosmetics to be purchased this Christmas. However, families cannot avoid their weekly groceries. That's why essential businesses such as **Slate Grocery REIT** (TSX:SGR.UN) are better positioned.

Slate owns grocery store properties across the United States. Most of its portfolio is anchored by low-cost essential retailers like **Krogers** and **Walmart**. That means its rental income and cash flow are secured despite economic conditions.

Slate Grocery stock trades at just 92% of book value. It also offers an attractive 7.9% dividend yield. If you're looking for a safe haven in 2022, this reliable dividend stock should certainly be on your watch list.

Tourmaline

Energy is another unavoidable expense. Crude oil demand might drop if people commute less during the winter, but natural gas for heating is absolutely essential. In winter 2022, Canadian natural gas is also likely to be exported to Europe to help them deal with their energy crisis.

This puts energy producers like **Tourmaline** (TSX:TOU) in a favourable position. The company is Canada's largest natural gas producer and the fourth-largest midstream gas processor. Surging gas prices have added tremendous value to Tourmaline's bottom line.

The company expects to generate $3.6 billion in free cash flow for 2022. Meanwhile, its market value is just $27.7 billion. In other words, Tourmaline trades at a price-to-free cash flow ratio of 7.7.

Tourmaline's excess cash flow is also likely to find its way back to shareholders. The stock currently offers a 1% dividend yield, but management expects to deliver special dividends that could push the total yield up to 8% this year.

For the next six years, management expects gas production to steadily expand at an annual rate of 6%. If these targets are met Tourmaline could deliver substantial dividend growth by 2028.

Europe's energy crisis is likely to keep natural gas prices afloat throughout winter 2022. The persistent energy crisis coupled with Tourmaline's excellent management makes this an ideal opportunity for dividend investors. Keep an eye on this stock.

CATEGORY

1. Investing

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1. NYSE:KR (The Kroger Co.)
2. TSX:SGR.UN (Slate Retail REIT)
3. TSX:TOU (Tourmaline Oil Corp.)

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