2 of the Safest U.S. Stocks to Buy Right Now

Description

The first nine months of 2022 have seen portfolio values fall off a cliff. As the bear market continues to weigh heavily on stock market valuations, investors are looking to park their funds in defensive stocks to make it through the next 12 months.

During an economic downturn, investors often opt to buy and hold stocks with low volatility. Let's take a look at two safe U.S. stocks that Canadian investors can buy right now.

NextEra Energy

One of the largest utility companies in the world, **NextEra Energy** (NYSE:NEE) has already created massive wealth for long-term investors. In the last 10 years, NEE stock has returned 538% to investors in dividend-adjusted gains. Comparatively, the **S&P 500** index is up 212% since September 2012. Further, NextEra shares are trading 8% lower than all-time highs, while the S&P 500 has re-entered bear market territory.

Despite these outsized gains, NextEra Energy offers investors a tasty dividend yield of 2%. The utility giant is a Dividend Aristocrat, which refers to companies that have raised dividends each year for 25 consecutive years.

Most Dividend Aristocrats might provide investors with a token dividend raise this year to maintain their streak amid a challenging macro-environment. But NextEra Energy has historically increased payouts by an attractive margin each year, and this trend is likely to continue in 2022.

Since 2006, dividend payouts have increased by 9.8% annually, and in 2022, the company boosted dividend payments by 10%. It expects to continue growing dividends by 10% through 2024, making the stock extremely attractive to income-seeking investors.

NextEra dividend increases are backed by predictable earnings as demand for electricity and gas remains stable across market cycles. Further, these services are rate-regulated or long-term fixed-rate contracts, ensuring cash flows are stable in good times and bad.

NextEra has a conservative dividend payout ratio of 60%, providing the company with a margin of safety and enough flexibility to strengthen its balance sheet, as well as fund expansion plans. Its strong credit rating also provides NextEra with access to lower-cost capital.

Finally, NextEra aims to allocate between US$85 billion and US$95 billion through 2025 to expand its Florida-based utility and energy business. These investments should allow NextEra to meet its dividend payout goals in the medium-term.

Coca-Cola

Among the most popular brands globally, **Coca-Cola** (NYSE:KO) should be on your shopping list in 2022. Due to its massive worldwide presence, the beverage heavyweight has hiked dividends for 60 consecutive years, making it a Dividend King.

In Q2, Coca-Cola’s revenue rose by 12% to US$11.3 billion, while adjusted earnings surged 4% to US$0.70 per share. Despite an inflationary environment, its operating margin stood at 30.7%, compared to 31.7% in the year-ago period.

Coca-Cola’s pricing power should allow the company to maintain its profitability in the next year as it can pass on raw material costs to customers. In fact, the company has maintained its earnings growth forecast of around 6% in 2022, while revenue is expected to increase by at least 12%.

In February, Coca-Cola hiked quarterly dividends by 5% to $0.44 per share, translating to a forward yield of almost 3%. In Q2, it generated US$4.1 billion in free cash flow, indicating a payout ratio of less than 50%.

If you’re looking for U.S. exposure while defending against volatility over the next 12 months, these two dividend-paying, market-leading heavyweights should be on your watchlist.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:NEE (NextEra Energy Inc.)

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