Hydro One Stock and BCE Shares: Great Defensive Plays Right Now

Description

The **S&P/TSX Composite Index** has suffered a series of sharp losses since August. There were signs of a bounce back in the first trading days of October, but that momentum has seemingly petered out. The TSX Index plunged 366 points on Tuesday, October 11. Today, I want to discuss why I'm looking to target defensive stocks in this choppy market. Let's dive in.

Here's why I'm targeting defensive stocks today

Investors have been forced to navigate an increasingly turbulent market since the spring of 2022. The Bank of Canada (BoC) elected to pursue an aggressive interest rate-tightening path earlier this year in order to combat soaring inflation rates. Oil and gas prices have softened in recent months. However, food prices have continued to fuel inflation.

Beyond market volatility, there are growing risks to the Canadian and global economy. The International Monetary Fund (IMF) recently stated that a third of the global economy will contract either in 2022 or 2023. That has been exacerbated due to the struggles of the United States, the European Union, and China. It expects growth to slow from 6% in 2021 to 3.2% in 2022 and to 2.7% in 2023. Meanwhile, Canada's gross domestic product growth is expected to slow to 1.5% in 2023.

In short, Canadian investors should prepare for more turbulence in the months ahead. I'm looking to snatch up defensive stocks, as we approach the midway point in October.

Why Hydro One is one of my favourite defensive stocks to own in the fall of 2022

Hydro One (TSX:H) is the largest electricity transmission and distribution company in Ontario. Shares of this utility stock have dropped 9.8% month over month as of close on October 11. That has pushed Hydro One into negative territory in the year-to-date period.

The company unveiled its second-quarter fiscal 2022 earnings on August 9. It delivered basic earnings per share (EPS) growth of 7.5% to $0.43. Meanwhile, it increased its capital investments and in-service additions to $612 million and $547 million, respectively, compared to $553 million and $300 million, respectively, in the prior year. That should help to bolster Hydro One's bottom line in the quarters to come.

What makes Hydro One a top defensive stock? For one, you can rely on utilities as essential services stocks. Moreover, its monopoly in Ontario is basically a licence to print cash. Hydro One is a profit machine. Its shares currently possess a favourable price-to-earnings (P/E) ratio of 18. Meanwhile, it offers a quarterly dividend of $0.2796 per share. That represents a 3.4% yield.

Don't sleep on this telecom stock that can provide stability in your portfolio

BCE (TSX:BCE) is a Montreal-based telecommunications and media company that provides services to residential and commercial customers across Canada. This top telecom has proven very dependable over the past decade. The stock has plunged 13% so far in 2022.

In the second quarter of 2022, this company delivered operating revenue growth of 2.9% to $5.86 billion. Meanwhile, adjusted net earnings were reported at $791 million, or $0.87 per share — up 5.3% and 4.8%, respectively, compared to the prior year. Moreover, free cash flow jumped 7.1% to $1.33 billion.

This defensive stock last had an attractive P/E ratio of 18. Better yet, it offers a quarterly dividend of $0.92 per share, which represents a tasty 6.4% yield.

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