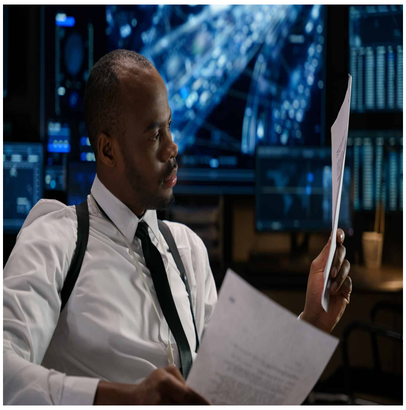

2 Top TSX Stocks to Own During a Recession

Description

The market correction is tough to watch, but it opens up opportunities. Investors with new money to put to work are trying to decide which stocks appear undervalued right now and offer decent prospects for dividend growth through challenging economic times.

Fortis

Fortis (TSX:FTS) recently announced a 6% increase to its dividend. This is the 49th straight year the board has raised the payout. That's important to consider, as the economy looks headed for a rough patch in 2023 or 2024.

Fortis gets 99% of its revenue from regulated assets. The $60 billion portfolio of businesses includes power-generation facilities, electricity transmission networks, and natural gas distribution utilities. Regardless of the situation in the economy, these services are required by homes and businesses that need to power machinery, heat water, or cook food.

Fortis stock is down considerably after getting swept up in the market downturn that has impacted all sectors of the **TSX Index**. Given the stable nature of the company's revenue stream and the steady dividend growth, the stock now looks oversold.

Investors can buy Fortis for close to $51.25 per share at the time of writing compared to $65 earlier in the year. The current dividend yield is a solid 4.4%, and the board intends to boost the distribution by an average of 6% per year through at least 2025. That should get you through the downturn and the stock could catch a nice tailwind once the Bank of Canada starts to cut interest rates after getting inflation under control.

Telus

Telus (TSX:T) is another good stocks to buy and own during a recession due to the nature of its services. Telus provides Canadian business and residential clients with internet, mobile, security, and

TV subscriptions.

This doesn’t make it recession-proof. Device sales could slow down as people and companies decide to hold older phones for longer, and some customers might cut their TV service if cash flow really gets tight, but Telus should see most of its revenue streams stay stable if the economy hits a rough patch.

The company has a successful track record of building subsidiaries that disrupt legacy sectors. Telus Health is growing at a rapid rate, as helps companies with employee health plans offer a wide platform of digital services. Telus Agriculture initially focused on helping farmers make their businesses more efficient and is now expanding to the broader consumer goods industry. The subsidiaries could deliver strong revenue growth for Telus in the coming years.

Telus reported solid second-quarter 2022 results that show its revenue stream is holding up well during challenging times. The board typically increases the dividend twice per year, and management is targeting annual dividend growth of 7-10% over the medium term.

Telus stock is down from the 2022 high above $34 to less than $28 at the time of writing. Investors who buy at the current price can get a 4.9% dividend yield.

The bottom line on top recession stocks

Fortis and Telus pay attractive dividends that should continue to grow, even if the economy goes through a deep recession. If you have some cash to put to work in a Tax-Free Savings Account focused on passive income or a self-directed Registered Retirement Savings Plan targeting total returns, these stocks look undervalued today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TU (TELUS)
3. TSX:FTS (Fortis Inc.)
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