



3 Utility Stocks That Are Too Cheap to Ignore

Description

The market is coming off a surprisingly strong week. With lower-than-expected inflation numbers in the U.S. reported last week, the stock market soared on what some are calling the market's bottom. While I'm as bullish as the next long-term investor, I'm bracing for more volatility and selling in the short term.

It's far too difficult to pinpoint the bottom of a [bear market](#). While easing inflation is certainly a good sign, I'm still preparing my portfolio for potential turbulent market conditions ahead.

Building defensiveness in an investment portfolio

In my own portfolio of individual stocks, I've always tended to gravitate toward high-growth companies in the tech sector. In the years leading up to the pandemic, the tech sector was filled with market-beating growth companies. But over the past year or so, after a strong rebound from the COVID-19 market crash, the tech sector has witnessed massive selloffs.

The volatility this year has reminded me of the importance of having dependability and defensiveness in an investment portfolio. Not all companies that you own need to deliver double-digit growth numbers on a quarterly basis. There's a heck of a lot of value in owning slow-growing companies that you can count on quarter after quarter.

Since I'm preparing for more short-term volatility in the stock market, I'm looking to load up on a few dependable utility stocks. Here are three utility companies trading at a discount that long-term investors would be wise to add to their watch lists.

Fortis

The \$25 billion gas and electric utility provider **Fortis** ([TSX:FTS](#)) has operations in both Canada and the U.S., providing its Canadian shareholders with much-needed diversification.

Shares of Fortis are just about on par with the returns of the **S&P/TSX Composite Index** in 2022. But growth isn't the main reason to own this utility company. Dependability and passive income are why I

have Fortis on my own watch list.

At today's stock price, the company's dividend yields 4.3%.

Brookfield Infrastructure Partners

Brookfield Infrastructure Partners's ([TSX:BIP.UN](#)) market cap may be smaller than that of Fortis but the company still boasts an impressive international presence. The company is also more than just a utility provider, as it operates transportation and data businesses, too.

Shares are positive on the year, and that's not even including the company's nearly 4% dividend yield.

For investors looking for a high-yielding and dependable company with a global presence, Brookfield Infrastructure Partners is an excellent choice.

Shares are only down 10% from all-time highs, but this is not a stock that goes on sale often.

Algonquin Power

Algonquin Power ([TSX:AQN](#)) may be the smallest of the three companies, but it's, by far, the highest yielding at 6.5%.

In addition to a top yield, I've got this company on my watch list for its exposure in the growing renewable energy space. It's for that reason that I'm bullish on Algonquin Power delivering market-beating returns in the coming decade, which is not that common for slow-growing utility stocks.

With shares down more than 30% below 52-week highs, now would be a wise time for long-term investors to start a position.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:FTS (Fortis Inc.)

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