2 Defensive Stocks to Buy Now if You're Worried About Recession

Description

Canadians who anticipate a recession in 2023 should be preparing for it somehow. Oxford Economics thinks Canada might be in a mild recession due to stubborn inflation, aggressive rate-hike cycles, and depressed household spending, not to mention the housing slump.

The forecast is that the gross domestic product will decline 2.4% peak to trough from the fourth quarter (Q4) of 2022 to Q3 2023. If such is the case, then the Bank of Canada won't relent in tightening its monetary policy until late next year. However, if you fear a recession, there's an intelligent way to overcome your worries.

You can stay invested and still have the propensity to earn passive income by moving to defensive sectors like utilities and consumer staples. What are you waiting for if you don't have **Fortis** (TSX:FTS) and **Rogers Sugar** (TSX:RSI) in your stock portfolio?

More than extraordinary

Utility companies thrive in a low-interest-rate environment but struggle amid soaring rates. Fortis is more than extraordinary compared to its sector peers. On September 28, 2022, the board of directors announced a 6% increase in common share dividend share to mark 49 consecutive years of dividend growth.

Another hike this year and the $26.12 billion regulated electric and gas utility company will become only the second Dividend King after **Canadian Utilities**. David Hutchens, president and chief executive officer (CEO) of Fortis, said during the presentation of its Q3 2022 results, "Our low-risk organic growth strategy remains a key fundamental during these volatile macroeconomic times."

In the said quarter, net earnings rose 10.5% to $326 million versus Q3 2021 due to higher retail sales and transmission revenues plus rate base growth. Management proudly announced a $22.3 billion capital plan from 2023 to 2027 — the largest ever in the company's history.

The new five-year capital plan will increase Fortis's mid-year rate base from $34.0 billion in 2022 to

$46.1 billion by 2027. It should also translate to a 6.2% five-year compound annual growth rate (CAGR). Investors can expect more rewards because the long-term growth in the rate base would drive earnings that support dividend growth and lower the payout ratio over time.

Management commits to increasing dividends by 4-6% annually through 2027. Fortis currently trades at $54.39 per share and pays a 4.17% dividend.

Solid fiscal year

Sugar is a low growth but enduring and stable business. While Rogers Sugar trades at a relatively cheap price ($5.70 per share), the dividend yield is a fantastic 6.3%. If you review the movement of this consumer staple stock, you won't see wild price swings.

The $604.48 million sugar producer delivered a strong performance in fiscal 2022, notwithstanding inflationary pressures and supply chain challenges. Mike Walton, president and CEO of Rogers and Lantic Inc., said the $102.1 million in adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) was the highest in the company's history.

Management expects stable financial results in fiscal 2023 due to strong demand and steady margins in the sugar segment. Rogers also projects global demand for sugar-containing products to remain strong.

Safety nets

The businesses of Fortis and Rogers Sugar are boring and hardly elicit excitement. However, for risk-averse investors, the dividend stocks are two of the TSX's undisputed safety nets. What more do you need if you have capital protection and rock-steady income?

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Date
2025/07/19
Date Created
2023/01/14
Author
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