



Recession Have You Cautious? Stay Safe With 2 Canadian Blue Chips

Description

Economists say Canada might have entered a recession already because of the aggressive monetary policy tightening by the central bank. But assuming it hasn't, the consensus is that the economy will be in recession for most of 2023. Investors worry about such a scenario, as stock prices and investment values [tend to fall during a recession](#).

Many companies will likewise struggle to sustain profitability. However, to stay safe, limit your holdings to stable, [blue-chip companies](#) like **Royal Bank of Canada** ([TSX:RY](#)) and **BCE** ([TSX:BCE](#)).

While the two industry leaders aren't immune to market headwinds, the share prices eventually recover from a downturn without fail. More importantly, if you depend on dividends for sustenance or extra income, the payments should be rock steady and not in danger of stoppage or cut.

Valuable brand

RBC is not only the largest TSX company by market capitalization (\$185.69 billion) but is also Canada's most valuable brand in 2022. According to Kantar BrandZ's annual global ranking, the \$185.69 billion bank is the world's 57th most valuable brand and the second most valuable bank globally.

But more than the rankings, RBC is attractive to old and new investors, including retirees, for its outstanding dividend track record. The big bank has been paying dividends since 1870, or 153 years this year. If you invest today, the share price is \$134.28 (+5.48% year to date), while the dividend yield is 3.96%.

In fiscal 2022 (for the year ended October 31, 2022), net income declined 1.5% year over year to \$15.8 million. Nonetheless, its president and chief executive officer David McKay said the results reflect the bank's resiliency notwithstanding the tough market conditions. He added that RBC is well positioned to pursue strategic growth and deliver long-term shareholder value.

RBC has signed a definitive agreement in November 2022 to acquire HSBC Canada and expects to

close the \$13.5 billion transaction by late 2023. McKay said the deal offers RBC an opportunity to add a complementary business and client base, especially international customers needing global banking and wealth management products and services.

Income generator

BCE, Canada's telco giant, is equally prolific as RBC when it comes to dividend track record. The \$56.97 billion telecommunications and media company started paying dividends in 1881, or 141 years and counting. At \$62.48 per share (+5.03% year to date), the dividend yield is a juicy 5.89%.

Strong income generation is the hallmark of the Bell team, although net earnings in the third quarter (Q3) of 2022 declined 5.2% to \$771 million versus Q3 2021. Nevertheless, operating revenues and free cash flow (FCF) increased 3.2% and 13.4% year over year to \$6 billion and \$642 million, respectively.

After three quarters in 2022, BCE had \$3.5 billion of available liquidity, including \$583 million in cash. Glen LeBlanc, chief financial officer for BCE and Bell Canada, said, "Bell's Q3 financial results highlight our consistent execution excellence and leading asset mix across all Bell operating segments."

Besides the strong balance sheet underpinned by a healthy liquidity position, BCE is a Dividend Aristocrat. The 5G stock has raised its annual common share dividends by 5% or higher for 14 consecutive years. Management said it seeks to sustain dividend growth and maintain a payout ratio between 65% and 75% of FCF.

Lower your anxiety level

A recession, whether short or long or moderate or severe, is worrisome for investors. However, the anxiety level should be significantly lower with blue-chip assets in your stock portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:RY (Royal Bank of Canada)

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Date

2025/08/16

Date Created

2023/01/16

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