



Avoid Market Volatility With These 3 Stocks

Description

Whenever I am chatting with someone who doesn't follow the stock market that closely, I'll inevitably get asked the same question: "Where do you think the market is going?"

They're usually pretty disappointed with the answer, since I always admit I have no idea where the market is heading. All I know is that, over time, it generally goes up. I just focus on finding individual stocks with compelling investment theses. The market will only get into an obvious bubble a few times a century, and often the bubble will persist for years until it finally pops in the worst of ways.

Yesterday, stock markets had a terrible day. The Nasdaq was down more than 3%, the S&P 500 ended the day down 2%, and the **S&P/TSX Composite** (TSX: ^OSPTX) was the leader of the group, ending the day down a mere 0.88%. It wasn't a good day to be invested in stocks.

I don't know whether the market will be weaker going forward. As investors, all we can do is position our portfolios to either take on risk or avoid it. If you're looking for stocks that will be less affected by the next downturn, check out these three stocks.

Bell Aliant

Investors looking for safe stocks will look at a stock's beta, a measure of risk. A stock with a beta of 1 will be expected to perform as well or as poorly as the overall market. A stock with a beta of 2 would be twice as volatile as the market as a whole, and a stock with a beta of 0.5 would be half as volatile.

Bell Aliant (TSX: BA) is one of the least volatile stocks in Canada, having a beta of just 0.16. It's a pretty good example of a "widows and orphans" stock.

Boring isn't always bad though. Aliant is in the business of providing wireless, television, phone, and internet service exclusively in atlantic Canada. It's a steady, albeit unspectacular business. Profit margins are fat, the company is the clear leader in its market, and has a dividend yield exceeding 7%.

Bell Aliant investors are just patiently waiting for **BCE**, which owns 44% of Aliant, to come in and scoop up the share it doesn't already own. Until then, investors are left with a steady company and a fat

dividend, both attractive features during an uncertain market.

Empire Company

During times of market uncertainty, investors are notorious for hiding out in safe sectors. What's more safe than **Empire Company** ([TSX: EMP.A](#)), the parent of Sobeys, Canada's second-largest grocery chain?

Sporting a beta of just 0.10, Empire is about as boring as it gets. And yet, the stock has been in the news a great deal lately, spending \$5.3 billion to acquire **Safeway's** Canadian stores back in 2013. So far the company has stumbled a tiny bit with the acquisition, when it missed analysts estimates for the first quarter. Thanks to this stumble, investors can pick up Empire at close to its 52-week low.

Dividend investors will be a little disappointed with Empire's dividend, since it only comes in at 1.6%. Investors can expect dividend hikes in the future, as the current payout is only 30% of current earnings.

Enbridge

Investors looking for energy exposure without the risk of owning an oil or gas company would be wise to check out **Enbridge** ([TSX: ENB](#))([NYSE: ENB](#)) and its rock-bottom beta of 0.07.

No matter what happens to the underlying commodity price, Enbridge still gets paid for every liter of oil that passes through its pipelines. Volumes are fairly predictable, meaning investors can expect steady performance without a whole lot of downside risk, exactly the place to hide in a volatile market. And while they wait, investors in Enbridge are also treated to a 2.75% dividend that keeps creeping up annually.

Foolish bottom line

Investors looking to minimize risk going forward will cycle into stocks and sectors perceived to be less risky than the overall market. Telecoms, consumer staples, and pipelines are all worthy places for investors to stick cash if they get nervous. It might be prudent to take profits on some of those companies which have performed well and cycle into some of these defensive names.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:ENB (Enbridge Inc.)

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