2 Stocks to Buy When the Stock Market Crashes

Description

With the turmoil in China sending global stock markets crashing, it’s hard to hold your nerves as your stocks bleed. But things suddenly don’t look as bad if you take a long-term view. If you haven’t tested the buy-and-hold strategy yet, now is the time.

While a market crash takes nearly every stock down with it, you need to understand that it’s the stock price that falls, not businesses. So, a business that looked great a week ago is probably just as good today, except that it’s a lot more attractive now that you can buy a stake in it much cheaper.

The basics of investing are simple: if a company has a timeless product and staying power, strong financials, and a track record of earnings growth and shareholder returns, consider a market crash a golden opportunity to buy into it. Stocks that offer you growth with stability will not leave you in the lurch when markets are in bad shape. For example, see how these two stocks have outperformed the broader market over the past decade:

Yes, **Canadian Utilities Limited** (TSX:CU) and **Agrium Inc.** (TSX:AGU)(NYSE:AGU) are the kinds of stocks you should look at when the market crashes, not because they've performed well in the past, but because their future looks promising. Here's why.

Canadian Utilities: A dividend stalwart

No matter what phase of the business cycle, people will still need electricity and gas. That makes Canadian Utilities's business less vulnerable to the ups and downs in an economy. At the same time, the company doesn't have to worry much about competition thanks to the huge barriers to entry into its industry. In short, Canadian Utilities is a great defensive stock.

The company has a solid track record, with net income growing at an average rate of nearly 7.5% over the past decade. Its earnings hit a record in 2014. But Canadian Utilities's real strength lies in its dividends, which have grown consistently for more than 40 years now.

Source: Company 2015 Annual General Meeting presentation

Image not found or type unknown

Source: Company 2015 Annual General Meeting presentation

Remember, a good dividend stock that provides steady income is an excellent tool to weather a market storm. Given how Canadian Utilities is expanding into markets like Australia and Mexico, and growing its business lines, like power generation aside from the traditional utilities, its earnings and dividends should continue to grow in the years to come.

Agrium: Great value for investors

You may wonder why I like Agrium, a business that's exposed to commodity prices that tend to be as uncertain as the stock markets. The reason is that even if low commodity prices hit demand for fertilizers, it won't fall off the cliff because farmers have to apply nutrients to crops to improve productivity irrespective of what's happening in the economy.

Moreover, Agrium is not a pure play on fertilizers, like **Potash Corp.,** as it gets a larger chunk of its revenue from seeds and crop protection products, the demand for which is more resilient than fertilizers. Agrium's net income has grown at an average rate of nearly 10% over the past decade.

More notably, Agrium's dividend has grown more than a staggering 30 times since 2011. As a mature company, Agrium doesn't need to plough a lot of cash back into its business to grow; in fact, its capital expenditure is expected to decline significantly in the near future. That should free up more cash to return to shareholders: Agrium plans to pay out 40-50% of its free cash flows in dividends going forward. With global demand for fertilizers set to remain strong, I believe Agrium is a great stock to buy on dips.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/28
Date Created
2015/08/26
Author
nehams