



3 Defensive Stocks to Hedge Against a Market Correction

Description

Global markets may have stabilized since the announcement of the Brexit late last month, but economic uncertainty lingers, which continues to drive a flight to safety among investors with some increasingly worried that a market correction is looming.

As a matter of fact, regardless of the fissures afflicting the international economy, U.S. equities continue to surge ahead with the **S&P 500 Index** hitting all-time highs in recent days. While the **S&P/TSX Composite Index** has not reached the dizzying heights of the U.S. market, any correction in the world's largest economy would certainly spill over to the TSX.

Now what?

One of the best defensive sectors to hedge against a market downturn is utilities, and here it is electric utility **Fortis Inc.** ([TSX:FTS](#)) that stands out.

Not only does it possess a wide economic moat that protects it from competition, but the unchanging demand for electricity and it being an integral part of our modern lives virtually guarantees its earnings.

It has made some moves in recent years to expand its business and boost its growth prospects. Fortis now operates a portfolio of electricity-generating assets across North America, the majority of which are regulated assets, meaning that a considerable amount of its revenue is locked in.

It also has a long history of rewarding investors with regular dividend hikes; it has increased its dividend for the last 42 years straight, giving it tasty 3.5% yield.

Another solid hedge against a market downturn and growing global economic volatility is **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

It owns and operates a globally diversified portfolio of real assets across the full spectrum of infrastructure, including ports, toll roads, telecommunications transmission towers, and railways. These are located in a mix of developed and emerging economies globally, giving Brookfield the stability of earnings associated with developed markets and the higher rates of growth that come from developing

economies.

Revenues are underpinned by fixed-term contracts, giving Brookfield earnings stability. The considerable shortfall in infrastructure investments globally coupled with these assets being an essential part of modern business will act as a powerful tailwind for earnings growth.

It is also part of a consortium that is in the process of acquiring Australian ports and rail operator **Asciano Ltd.**, which has been accepted by that company board. On completion, this acquisition will boost Brookfield's exposure to rapidly growing Asian economies, India in particular, which is on the cusp of experiencing rapid growth on a similar scale as to what was witnessed with China.

Then there is Brookfield's juicy 5% dividend yield, which will reward investors despite any downturn in the economic cycle.

Finally, there is Canada's largest telecom **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), which has a wide economic moat and operates in an industry with oligopolistic tendencies. These characteristics, along with the importance of voice and data communication in conducting modern business, means that demand for its core products and services will change very little, even if there is an economic downturn.

BCE continues to grow at an impressive rate for an established industry incumbent in what is a mature market. BCE is focused on expanding its wireless and high-speed internet networks. BCE is acquiring **Manitoba Telecom Services Inc.** for \$3.9 billion; once complete, the acquisition will boost its growth prospects and cement its position as Canada's leading telecommunications company.

BCE also rewards investors with a regular dividend payment, which it has hiked for the last seven years straight, giving it a juicy 4% yield.

So what?

All three of these companies possess solid defensive attributes that make them resistant to market corrections and economic downturns. More importantly, they also have impressive growth prospects that will drive their share prices higher over time. And while investors wait for this to occur, they will be rewarded by those juicy dividend yields.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BCE (BCE Inc.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:FTS (Fortis Inc.)

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