Worried About the Markets? Hide Out in These 3 Safe-Haven Stocks

Description

Many investors are starting to get nervous about their investment in stocks.

Canadian investors should perhaps be particularly nervous. The TSX Composite Index continues to flirt with 52-week highs, even though the Canadian economy isn't terribly healthy. Low commodity prices continue to affect growth, particularly in the Prairie Provinces. Job growth and inflation are anemic at best. And the real estate market continues to loom large, carrying a lot of potential pain if the bubble pops.

I don't want to encourage investors to sell everything and move to cash because that kind of advice will make most poorer in the long run. Getting the timing right on such a prediction is impossible. Besides, time in the market is always more important than timing the market.

Still, investors can still help protect some of their capital by making a few moves today. Let's take a closer look.

Switch to safer names

Certain stocks move more than the overall market, while others are far less volatile. This measure of volatility is a stock's beta.

When trying to protect portfolio gains, the move is simple. Investors should move away from stocks with high betas and replace them with companies that, historically, don't move as much.

One sector that doesn't tend to move much is consumer staples. After all, folks still need to eat no matter what the stock market does. If anything, a grocery chain is poised to benefit from economic uncertainty because people eat at home rather than going out.

Loblaw Companies Limited (TSX:L) is a terrific choice for investors looking to add a little dullness to their portfolio. According to Google Finance, it has a beta of 0.10, which makes it just 10% as volatile as the market.

Loblaw continues to perform well even in a very crowded Canadian retail landscape. The company's inventory issues are long behind it, and the Shoppers Drug Mart part of the business is growing well. And according to analyst estimates for 2017, shares trade at a very reasonable price-to-forward earnings multiple of 15.5.

Utilities

The thought process of investing in **Canadian Utilities Limited** (TSX:CU) is much the same as investing in Loblaw. It's a boring stock that will likely protect an investor's capital during a downturn.

Canadian Utilities has grown into one of Canada's largest utility companies with operations across the country, as well as natural gas assets in Australia and a structures and logistics division that does business around the world. In total it has more than $18 billion worth of assets.

The company has been making an effort to grow its regulated earnings, increasing the share of total earnings from 56% regulated in 2010 to 88% in 2015. Most of the more than $5 billion in growth projects the company has planned will also build regulated assets.

And, perhaps most importantly, Canadian Utilities has a demonstrated history of growing its dividend for a very long time. It has hiked its annual payout for 44 consecutive years, Canada's second-longest streak for publicly traded companies. Shares currently yield 3.5%.

Preferred shares

Preferred shares are a hybrid security that offer investors protection in falling markets as well as exposure to the overall performance of a stock. Think of them as about 70% bonds and 30% equities.

Rather than choosing individual preferred shares, many investors simply use an ETF to buy a basket of the securities. The **Claymore S&P/TSX Canadian Preferred Share ETF** (TSX:CPD) is the largest and most popular choice in Canada with average daily volume of more than 145,000 shares.

And the best part? Investors get paid a very generous dividend of 5.1% to hold this ETF, which comes in the form of a monthly dividend. Capital protection plus great income is a nice combination to have during a market sell-off.

Be careful out there

As I mentioned previously, there's little reason for investors to sell everything and go to cash. But at the same time, making prudent moves like selling some winners and moving into conservative names may make a lot of sense here. Investing for capital gains is important, but at this stage of the business cycle, so is protecting those gains.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CPD (iShares S&P/TSX Canadian Preferred Share Index ETF)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:L (Loblaw Companies Limited)

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/28
Date Created
2016/09/27
Author
nelsonpsmith