

## Is Fortis Inc. the Best Place to Hide During a Recession?

### Description

The markets have taken a beating lately, and global volatility has jumped. Many investors are getting nervous that there could be a global recession because of slowed growth; if this were to happen, where would an investor hide? **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is one of the first stocks that comes to mind. It's considered a safe stock because it's a utility with a very bountiful 3.75% dividend yield.

### Is Fortis immune to a market-wide meltdown?

While Fortis is a great dividend pick for safe investors, the stock is certainly not completely immune to a global market meltdown; the stock plummeted nearly -15% during the financial crisis. If you're worried about a crash, then you have to realize that you will realize a loss if you react by selling during times of market turmoil.

If you can stomach a decline of 15-20% and still hang on, then Fortis will be a great pick for you during a recession. You can pick up a great dividend yield while you wait for the markets to rebound. But if you can't see yourself not selling if the stock loses 20% of its value, then you shouldn't be owning stocks in the first place. All stocks will go down, and Fortis is no exception.

During the global recession, most stocks dropped by 50% or more, so a 15-20% decline is actually not bad in comparison. If you'd held Fortis during the financial crisis, you would have done very well as the stock recovered quickly compared to other stocks, and investors were happy collecting a growing dividend. So, in this way, yes, Fortis is a safe stock, and the dividend is perfectly safe, even in the worst of recessions.

The beta is at 0.05 meaning that volatility is quite low, which should comfort investors. The company has a diversified stream of income coming from both gas and electric consumers, regulated infrastructure, and electricity generation, as well as transmission.

### Don't buy Fortis because you're reacting to a temporary pullback

If you're worried about a Trump-fueled market meltdown, I wouldn't pick up shares of Fortis. I believe the Trump presidency will not cause a market meltdown—it will just cause a slight pullback, like the Brexit did. Those who are buying stocks at discounts to their intrinsic value will be the winners, and those selling stocks and jumping into bonds will be the losers.

### Fortis is not cheap

If you want a safe portion to your portfolio, then Fortis could be a great buy; however, the stock is not cheap, and if you bought it at current levels, you would be paying quite a premium. The stock is quite expensive with a 2.2 price-to-book, which is a lot higher than its five-year historical average value of 1.6.

If you want to get a great utility in your portfolio, then you may want to wait until the company yields at

least 4%.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

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## Date

2025/08/23

## Date Created

2016/11/09

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