Worried About a Market Crash? Buy This Defensive Canadian Stock

Description

Although the general public is bullish on Trump's pro-business agenda promises, it can never hurt to take a contrarian defensive position while everyone else is bullish. This bull market is turning eight years old and is listed as the second-longest bull market on record.

Are we overdue for a correction?

Possibly, but nobody knows when this correction is going to happen, and it doesn't make sense to try to time the market by buying defensive positions after the markets have fallen by a considerable amount. By then, defensive positions will probably be a lot pricier, and it's possible that by the time you make the decision, the worst of the downfall could be over with.

Canadian Utilities Limited (TSX:CU) is a solid dividend-growth king that has experienced a roller-coaster ride over the last few years. The company is a terrific defensive pick that will pay out a dividend even if the markets suddenly crashed.

If you're a long-term investor who relies on income, or a cautious investor who's looking for a defensive position to prepare for the next economic downturn, then Canadian Utilities is a great pick for its stability and ability to grow its dividend through thick and thin.

During the Financial Crisis, Canadian Utilities stock lost about 35% of its value peak to trough. This is a considerably lower loss than the average stock, and, believe it or not, Canadian Utilities actually reported solid earnings numbers throughout the recession, which resulted in further dividend increases at a time when other companies were slashing their dividends in half.

The stock fully recovered about three years later, and investors who'd held on enjoyed consistent dividend payouts and raises. If you were a contrarian investor with the discipline to keep buying during the recession, then you would have done extraordinarily well.

Canadian Utilities is set to invest $5 billion into projects between 2017 and 2019. These initiatives will allow the company to provide shareholders with even more dividend raises in the years to come.

Takeaway

Canadian Utilities is a truly wonderful business with a strong free cash flow stream which continues to grow organically and through acquisitions. During the next recession, shareholders of Canadian Utilities will be well positioned to ride the downfall and will enjoy continued consistent dividend payments.

The stock currently trades at a 18.59 price-to-earnings multiple, which is slightly lower than the company's five-year historical average price-to-earnings multiple of 19.7. The stock appears to attractively valued for long-term investors looking for a solid 3.5% yield and a degree of protection from the next market crash.

Stay smart. Stay hungry. Stay Foolish.

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