
# Should You Invest Now or Wait for a Market Crash?

## Description

Previously, fellow Motley Fool Canada writer Joey Frenette brought up a good point about holding defensive stocks if you're worried about a market crash.

Market crashes will inevitably occur. And holding defensive stocks, such as **Canadian Utilities Limited** (TSX:CU), can allow you to be more at ease during those particularly volatile times, because these types of stocks tend to fall less than riskier ones.



Should you invest in defensive stocks now or wait for a market crash? Let's take Canadian Utilities as an example.

**What's the valuation?**

As a largely regulated utility, Canadian Utilities generates stable and predictable earnings. So, the company tends to trade at a premium multiple. Its three-year normal price-to-earnings multiple is about 17.2.

Currently, at about $38.70 per share, Canadian Utilities trades at a multiple of about 17. As a result, the stock is close to being fully valued. Investors looking for a bigger margin of safety should wait for a cheaper valuation before buying. For example, in the next 12 months, a multiple of ~15.7 or a price below $36 per share would be a nice starting point to consider the stock.

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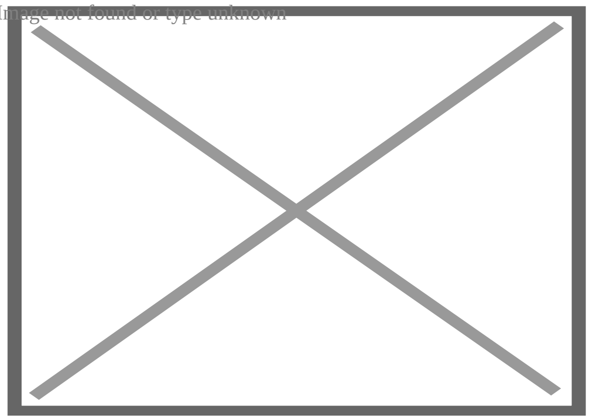

**Do you need the income?**

The more time investors have to build their portfolios, the better, because they will be able to handpick the quality businesses they'd like to own for the long term and wait for opportunities to buy them at attractive valuations.

Investors who are near retirement might not have the luxury to wait for a market crash to happen, though. These investors need income soon. If so, the next best thing to buying businesses on the cheap in a market crash is to look for reasonably valued dividend stocks that have the culture and capability to grow their dividends.



In early October, **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA) closed the acquisition of Veresen. In conjunction with the closing, it hiked its dividend the second time this year, as promised. The monthly dividend is now nearly 5.9% higher than it was a month ago. This equates to a 12.5% increase from a year ago.

Pembina should continue to grow steadily. After recently putting $2.8 billion of projects into service, it has another $2 billion of projects that it expects to be commercially operational by early next year. This growth will support steady dividend growth, as it did in the recent past. For the last five years, Pembina has increased its dividend by 4% per year.

In the next couple of years, the combined growth opportunities from the Veresen merger should translate to higher growth than the 4%. And we already saw a hint of that with the second dividend hike this year.

**Investor takeaway**

It's good to keep some dry powder on the sidelines to take advantage of market crashes. However, if you need the income, then you need to invest somewhere. And reasonably valued to attractively valued dividend-growth stocks are a good place to start your search.

Currently, Pembina is a reasonably priced stock for current and growing income and steady price appreciation. It offers a safe yield of over 5% after its recent dividend hike.

**CATEGORY**

1. Dividend Stocks

2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:CU (Canadian Utilities Limited)
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