Protect Your Portfolio From Market Downturns by Buying These Stocks

Description

Markets have been quite volatile lately, and you may worry about future market downturns. If the fluctuations of your stocks are giving you nausea, you should consider investing in less-risky stocks.

Stocks with low betas are less volatile than the market, hence their price move less than the market, and you have less risk of losing money during market downturns.

If a stock's beta is equal to one, that means this stock is as volatile as the market. That is to say, if the market goes up by 20%, the stock will also rise by 20%. However, if the market falls by 20%, the stock will also plunge by 20%.

A stock that has a beta greater than one is more volatile than the market. It is great when the market is going up, as your stock will rise higher. But when the market falls, your stock will fall by more, so if you are worried about losses, you will find that hard to tolerate.

A stock that has a beta less than one is less volatile than the market, so its price moves less, and thus it should fall less during a market downturn. You will find below three stocks that have a beta between 0 and 0.5 and that are therefore much less volatile than the market.

BCE Inc. (TSX:BCE)(NYSE:BCE)

This giant telecommunications company has a beta of 0.23, which means that its stock moves 77% less than the market. The share price has a five-year compound annual growth rate (CAGR) of 8.9%.

What is also interesting about this stock is its high dividend yield. It pays a quarterly dividend of $0.755 for a yield of 5.4%. BCE is increasing its dividend regularly and has a dividend CAGR of 5.3% for the last five years. Earnings are expected to grow at an average rate of 3.5% per year during the next five years.

BCE is a great buy-and-hold stock if you are looking for both growth and income.

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

This gas and utilities company has a beta of only 0.16, meaning its stock moves 84% less than the market. The share price has a five-year CAGR of 7.9%.

This stock pays a dividend of $0.425 quarterly for a high yield of 4.1%. Fortis is increasing its dividend on a regular basis, and it has a dividend CAGR of 6.5% for the last five years. Earnings are expected to grow at an average rate of 5.3% per year during the next five years.

Fortis is a great stock to buy if you are looking for long-term growth and regular income.

Dollarama Inc. (TSX:DOL)

This popular dollar store chain has a beta of 0.18, which means its stock is 82% less volatile than the market. The share price has an impressive five-year CAGR of 40%. That means you can own a low-beta stock and still get high returns. You don't necessarily have to buy high-risk stocks to get high returns.

Dollarama pays a quarterly dividend of $0.11 for a yield of 0.3%, but it's increasing its dividend consistently as its earnings grow. This reflects in its dividend CAGR, which is 14.9% for the last five years. Earnings are expected to grow at an average rate of 17.5% per year during the next five years, which is high for a retailer.

Dollarama is a super stock to own if you are looking for a high-growth defensive stock.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:DOL (Dollarama Inc.)
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sbchateauneuf