Worried About a Trade War-Induced Market Crash? Buy These 2 Stocks Right Now

Description

It’s been a real bloodbath for the markets this week. The S&P 500 is flirting with correction territory (10% drop) again and over the next week, we could be in for more pain, as the bear may finally come out of hibernation after one of the longest bull runs in history.

Many pundits believe that the global trade war has already begun, with Chinese president Xi Jinping responding to Donald Trump’s controversial trade tariffs with retaliatory tariffs of his own, targeting 128 U.S. products, including pork, fruit, and steel. It appears like a lose-lose situation for everybody, and at this point the impending trade war stands to overpower the influence of an individual company’s earnings report.

Given the sky-high uncertainties in Washington of late and a potential bear scenario setting up, I’ve advised on numerous occasions that investors treat the February correction as a wake-up call if they have neglected the defensive portion of their portfolios.

Over the last year, many investors have become overly euphoric over the effects of U.S. corporate tax cuts. As a result, a growing trend among the general public was to offload defensive positions like REITs, telecoms, and utilities in favour of more cyclical names to amplify gains from what seemed to be a market melt-up. Sure, rising rates influenced the move from defensive stocks, but I believe the FOMO (fear of missing out) mentality exacerbated the sell-off in such quality blue-chip defensive names.

It’s always a good idea to be prepared for a bear when you’re moving through the wilderness of the stock market

Billionaire investor Ray Dalio went as far as saying that investors would “feel stupid” for holding cash around the time when the S&P 500 hit an inflection point. And although sentiment was on his side at the time, I warned investors to take his commentary with a grain of salt and advised they take Warren Buffett’s timeless advice and be “…fearful when others are greedy” instead.

I strongly urged investors to consider both **Canadian Utilities Limited** (TSX:CU) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS), both of which have been beaten up by interest rate fears and would provide investors with a relative margin of safety should Trump's extremely aggressive moves lead to a complete market meltdown. Both stocks have historically held their own during market crashes and have substantially less downside than almost any other stock out there.

Bottom line

If you were one of the investors who dumped their defensive stocks over the past year, it's time to get back in before the price of admission goes up. Many high-profile U.S. banks have warned that there's a high probability of a market crash over the next few years, so it'd be very wise decision to bring balance back to your portfolio to better prepare you for whatever lies ahead, whether it's another parabolic melt-up or a catastrophic crash, which we're overdue for.

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