



How to Avoid Losses Arising From Trump's Tweets

Description

Over the past few weeks, the market has pulled back on a number of occasions due to the tweets of President Trump, in spite of there being no underlying change in the fundamentals of any company or sector. Clearly, the market is a little more fragile to the mood of the top U.S. chief.

With certain companies such as **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) showing themselves as the most vulnerable, investors seeking to insulate themselves must figure out where to invest in an effort to avoid these major losses. The good news is that the answer may be a lot more simple than expected.

On a regular basis, companies and investors will face headwinds stemming from a variety of sources, but certain things remain unchanged. To begin with, utility companies such as **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)) which generate and sell power will [continue](#) to do a lot of the same, no matter the market conditions. Defensive companies are clearly the way to go.

As a reminder, defensive companies are characterized by consistent revenues and earnings during all phases of an economic cycle, whereas cyclical companies will experience large fluctuations in their operations depending on the phase of the economic cycle. In Canada, shares of companies such as **Toromont Industries Ltd.** ([TSX:TIH](#)) have performed over the past five years but may begin to pull back, as any economic slowdown will drastically reduce the purchase of equipment that is utilized by companies over the long term (this is referred to as a capital expenditure).

Similar to individual consumers who would not purchase a new car after seeing their hours cut back (or eliminated), many companies will follow suit and cut back on purchasing new equipment. On the other side of the market, however, are smaller, lesser-known companies, such as **Morneau Shepell Inc.** ([TSX:MSI](#)), that will experience the biggest [increases](#) in demand from clients.

As a provider of retirement solutions and support services to employers, Morneau Shepell has a substantial number of "sticky" clients who will increase their involvement as the demand to reassess the retirement benefits offered to employees who are departing the company increases. No matter the situation, investors will see increases in revenues from this name.

To make the security even more attractive, the dividend is currently paid on a monthly basis and yields

no less than 3.1%. After returning close to 25% for the past year, this defensive name may still have a lot to offer investors.

Getting back to the off-the-cuff tweets of President Trump, investors need to remain cautious before making any investment. Essentially, companies such as Amazon that have extremely small margins are in a very vulnerable state should there be a reduction in sales for any reason. Highly levered companies stand to do no better!

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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:TIH (Toromont Industries Ltd.)

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Author

ryangoldsman

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