As the Market Heads for a Downturn, This Is Where Investors Can Hide!

Description

In spite of many investors searching for hot stocks, the reality is that a bottom-up approach may not always be the best way to go about it. In reverse, the top-down approach starts with understanding the general economy, then the sector, and finally the individual security that one wants to invest in.

As a great investor once said, "a rising tide lifts all boats," which translates to an improving economy being good for all sectors. Unfortunately, the current state of the economy (which many think is doing extremely well) is not indicative of better economic times in the future. In fact, record-low unemployment is a leading indicator for a downturn in the economy.

There are a number of factors confirming that we are at the tail end of an economic cycle, so investors may be best suited to take refuge in a few defensive names and enjoy collecting dividends along the way. To begin with, Canada's biggest bank by market capitalization, **Royal Bank** (TSX:RY)(NYSE:RY), just increased the dividend to offer a yield of almost 3.8%. In addition to this, the well-diversified business lines will offer downside protection in the event of an economic downturn.

For investors looking beyond the financial sector, shares of **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) are in a unique position to continue turning out profits and buying back shares throughout all phases of the economic cycle. At a current price of $265 per share, investors have been well rewarded over the past year. With momentum on their side, this name has a lot to offer investors who are seeking safety. After all, this is one of the most defensive businesses around.

The last name on the list is none other than **Cineplex** (TSX:CGX), which recently reported earnings that led shares higher. As history has shown on many occasions, difficult economic times have led many to skip the dinner part of the "dinner-and-a-movie" date, opting instead for the movie only. At a current price of almost $33 per share, the dividend yield is a comfortable 5.3%, which is expected to be sustained for a long time to come.

As opportunity sometimes presents itself during difficult periods, this may be the chance for the theatre industry to reinvent itself once again, this time figuring out how to keep people in the building for a longer period of time and potentially receiving a greater amount of their disposable income. Time will tell if we one day we see a bar in each movie theatre.

As the bull market continues to age every day, investors need to remain very cautious. In spite of many promises from our politicians, the reality is the raising of interest rates will bring on the inevitable: a major pullback!

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:CP (Canadian Pacific Railway)
5. TSX:RY (Royal Bank of Canada)

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