My Market Outlook for 2019, and 3 Top Stocks to Consider for Next Year

Description

As we move toward the final quarter of 2018, reviewing the year thus far and providing projections on 2019 seems like a prudent thing to do. At this point in time, many investors (myself included) remain cautious with respect to the current bull market, which has now officially become the longest bull market in history. Any physicist or economist will tell you, "what goes up must come down," and in that respect, it appears many market participants remain immune to any suggestion a bear market, or worse, is around the corner.

As an extremely cautious and conservative long-term investor, I take such warnings with great seriousness, and a small amount of salt as well. Most analysts and investors will accept that we are in the latter-stages of a very long bull market; however, this is the narrative we have heard for years, and with stocks continuing to rise, those who have sat on the sidelines have most certainly missed out on impressive gains.

That being said, as I have cautioned recently in one of my pieces describing the telling nature of the existing, and extremely flat, yield curve, a bear market, or worse, is very likely coming some time around the end of 2019.

With that preface in mind, let's take a look at which sectors or companies may be best-suited to ride 2019.

First-half strategy

Like any football game, coming onto the field with an idea of what one will do for the first half is always a good idea. I think breaking down 2019 into two halves is a strategic way to view the upcoming year for a couple of reasons. First, I see growth likely to continue during the first half of 2019, and therefore think the playbook should be markedly less conservative than that of the latter half of the year; preparing one's portfolio for a dip (i.e., changing said portfolio's weighting) can take time and will cost money – having a window of time to make such changes is warranted.

During the first half of 2019, I would encourage investors to consider loading up on interest-rate sensitive names. If I am right (and there is no telling if the yield curve will indeed invert sometime late this year, conveying a recession in late-2019), then in the event of a serious bear market or recession, interest rates will drop post-2019. Loading up early on while prices are relatively cheap and we are in a rising interest rate environment simply makes sense to me.

On that note, two companies I have pointed to previously that I believe to be excellent long-term plays for those considering interest-sensitive names are **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Killam Apartment REIT** (TSX:KMP.UN). I like these companies for much more than their respective impressive yields, dividend growth rates, and overall growth profiles.

Second-half strategy

Transitioning toward an extremely defensive portfolio would be my suggestion heading into the second half of 2019, as I truly believe the impressively long rope investors have held onto during this bull market run is nearing its end.

I would also encourage investors to consider short positions in sub-sectors of the Canadian market that are simply out of control, such as cannabis production. One of the first companies I would invite investors to look at shorting is **Aurora Cannabis Inc.** (TSX:ACB), a company with a penchant for growth via acquisition at whatever price necessary. Such companies are likely to be the first to lose much more than half of their valuation in short order, and this is an easy prediction for me. Predicting when the mania will stop and when cannabis prices will peak, however, is not.

Stay Foolish, my friends.

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TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:ACB (Aurora Cannabis)
3. TSX:FTS (Fortis Inc.)
4. TSX:KMP.UN (Killam Apartment REIT)

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