The Grinch Stole the Christmas Rally But Left a Generous Gift for Contrarian Canadian Investors!

Description

To investors, U.S. Fed chair Jay Powell is seen as the Grinch who stole the year-end Santa Claus rally that many were looking forward to after a correction-filled year. It was never a position that Powell wanted to be in, and as he continues tightening, it's becoming increasingly likely that the ensuing tension will be enough to snap an otherwise "healthy" economy.

There's no question that some pundits believe that the coming bear market and recession is "man-made," with most fingers being pointed at the Fed. And while you could take the advice of the so-called experts who are telling investors to pull all their money out of the markets and jump into debt instruments, long-term investors would be better served tuning out the noise, as the S&P 500 inches closer towards bear market territory.

Like it or not, a tonne of blue-chip darlings are already in a bear market, and if you are, in fact, a long-term investor, you should begin nibbling at battered bargains, leaving plenty of cash available as the insidious bear market continues to take hold.

You see, unlike a sharp crash like the one experienced in 2007-08, this current bear market (in the making) could span many months until we hit any sort of bottom. And as you've probably noticed, dip buying hasn't been working this time around, so it's essential to ration your cash to buy incrementally on the way down to ensure you don't fall into any bull traps that may arise.

Don't back up the truck, but don't sit on your hands either. Have a look at the dividend-paying stocks whose yield has swollen to record levels.

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) has a massive 7.4% yield at the time of writing, and right now, nobody seems to give a hoot! The extremely fearful sentiment and the ineffectiveness of dip buying have allowed such names to continue falling like a stone in spite of their sustainable yields and robust underlying businesses that'll likely continue to outperform in harsh economic environments.

Eventually, when the dust settles on the market, investors will begin caring again, and they'll notice the enhanced yields and lock them in before other fearful investors start to take notice after becoming fed up with the meagre returns offered by risk-free securities. Sure, a 2% guaranteed return may seem great given the volatility, but with Brookfield Renewables, you're essentially getting a 7.4% guaranteed return to stomach a bit of near-term volatility.

You see, Brookfield Renewables has a vast portfolio of sought-after renewable assets and an aggressive global renewable growth plan that'll fuel further distribution hikes, regardless of what ends up happening to the shaky market. The company has $700 million in its development pipeline and is hoping to invest another $500 million in the U.S. market at some point over the next few years.

In the meantime, lock in the larger-than-average distribution payout, but make sure you leave plenty of room for seconds in 2019!

Stay hungry. Stay Foolish.

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Date
2025/08/22
Date Created
2018/12/19
Author
joefrenette