Volatility Is Coming: Why Fortis Inc. (TSX:FTS) May Be the Smartest Bet You'll Make All Year

Description

The S&P 500 is melting up again after flirting with a bear market between October and December. While there's still another 5% to recover from the flop, I'd caution investors from jumping into overly cyclical stocks if you're at all feeling like you're missing out on easy money.

Last January, the markets rallied sharply only to correct violently in the following month. Investors were feeling sanguine, Ray Dalio said you'd feel "stupid" for holding cash, and "market melt-up" was the term that was being thrown around in the mainstream financial media.

Indeed, everybody was optimistic over the growth spurt that President Trump's corporate tax cuts would grant, but as everybody looked through rose-coloured glasses, I saw a dark side to the rally, as I encouraged investors to trim profits and to load up on quality, defensive, dividend-paying stocks just weeks before the markets corrected sharply.

Euphoria over stronger economic growth turned into fear over rising interest rates as Fed chair Jerome Powell feared inflation, causing him to hit the rate hike button furiously, despite a seeming lack of rising inflation in the economic data. Economic strengthening (melt-up) led to rate hikes (melt-down), and now that the market is no longer going up against the Fed, investors are betting on a U.S.-China trade deal that may not happen until the last minute — Q4 2020, right before the big U.S. presidential election.

In the meantime, quarterly results will continue to exhibit signs of a recession in the making. Over the last few quarters, we've seen that trade tariffs were starting to have a material effect on the earnings results of many market-sensitive companies, and as consumer confidence continues to flop in the quarters ahead, I think it'd only be prudent to batten down the hatches as the stage seems to be set for another choppy year.

We're indeed at a crossroads right here. Are we headed for that much-anticipated recession? Or willwe find relief from a trade deal, in which case we have to worry about the Fed turning hawkish onceagain?

In any case, I'd hold on tight, as I have a pretty strong feeling that the U.S.-China trade deal that bulls are betting on will not be reached until late 2020. So, in the meantime, count on meetings, moods, and commentary to dictate the trajectory of the stocks over the next year.

We're pretty much in the dark, so I'd encourage an injection of certainty into your portfolio with **Fortis** (TSX:FTS)(NYSE:FTS), a reliable defensive dividend stock I'd prescribe to all portfolios at this rather shaky market.

I'm not a huge fan of giving "shallow" forward-looking market projections, but to temper the FOMO mentality of many beginner investors, I like to put things in perspective, so such beginners aren't victimized by the pros (institutional investors) or the machines (trading algorithms), whose selling activities may control where the markets are headed over the next year.

Yes, Fed chair Powell is off our back, but there are cracks in the Canadian and American economy that'll continue to widen until President Trump has another deal in the bag that'll warrant a sequel to Trump's widely read 1987 hit *The Art of the Deal*.

The cracks are going to widen until they're patched up. So, in the meantime, Fortis will act as an "uncrackable" cash cow that'll stabilize your portfolio from volatile movements and allow you to have peace of mind when the stock market continues on with its wild roller-coaster-like swings. While volatility isn't necessarily a bad thing for those who can stomach it, beginners and older investors may want to minimize their exposure to volatility, so they're not scared out of the investment game for good.

So, if the October-December plunge was past or near your pain tolerance, it's doctor's orders to get some Fortis in your portfolio while the price of admission remains low. You're paying 18.5 times trailing earnings for a 3.8% dividend that'll increase 5% per year. That may seem expensive, but in the environment we're in right now, I'd say the slight premium is more than worthwhile.

Stay hungry. Stay Foolish.

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Author
joefrenette