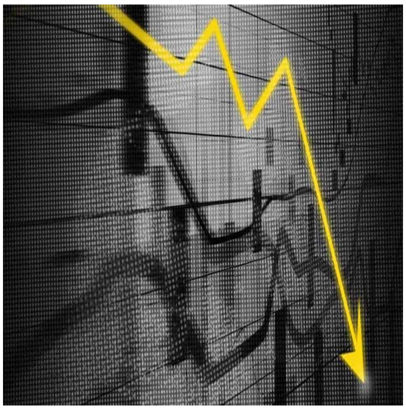

The Best Stocks to Buy During a Correction

Description

While many prognosticators have been predicting a market correction for years, many Canadian stocks have continued their run higher. Being prepared for a correction, however, can provide huge returns.

There are typically two strategies during a downturn: buy expensive stocks that are now on sale, or buy stable stocks that can weather the storm. Often, a mix of both is best.

Here are three stocks you should have on your watch list for any potential correction.

Shopify (TSX:SHOP)(NYSE:SHOP)

Shopify stock is terribly expensive. Even worse, competition seems to be ramping up. Recently, **Microsoft**, **Facebook**, and **Square** have all entered Shopify's market.

Under the hood, however, Shopify continues to execute. Since 2015, revenues have quintupled from $200 million to more than $1 billion. Nearly every quarter, Shopify has taken market share from its competitors.

The only knock on this stock is that it's expensive. A market correction could change that. Competition is heating up, but if the market decides to put Shopify on sale, the discount likely won't last long.

Royal Bank of Canada (TSX:RY)(NYSE:RY)

Canadian banks have been a safe haven for years. That could change during the next downturn.

Steven Eisman, the main character in Michael Lewis's *The Big Short*, is one of the most skilled investors this century. Most haven't heard of him, however, given he focuses on stocks that will go down, not up. His latest target: Canadian banks.

If a market-wide downturn is realized, Eisman doesn't believe most banks are prepared. "Canada has not had a credit cycle in a few decades," Eisman told *Bloomberg* recently. "I don't think there's a

Canadian bank CEO that knows what a credit cycle really looks like."

He doesn't think Canadian banks are total duds, however, as he only sees around "20%" downside. That could give you the rare chance at snapping up shares of Royal Bank of Canada at a discount.

Since 1995, every market correction has provided a profitable buying opportunity for Royal Bank of Canada shares. The next downturn will be no different.

Chemtrade Logistics Income Fund (TSX:CHE.UN)

Most investors haven't heard of Chemtrade, but it's consistently been one of Canada's leading income stocks. The company hasn't missed a payment since 2003.

Chemtrade operates in a litany of fairly boring areas. For example, it's a major distributor of sulfuric acid, acid processing services, inorganic coagulants, sodium chlorate, sodium nitrite, sodium hydrosulfite, and phosphorus pentasulfide. It also supplies sulfur, chlor-alkali, liquid sulfur dioxide, potassium chloride, and zinc oxide.

While the materials above are likely foreign to you, all you need to know is that they support a broad range of industrial activities.

Notably, Chemtrade has built impressive scale in most of its focus areas, meaning it has a structural cost advantage versus its competitors.

Last quarter, distributable cash exceeded $50 million. At that rate, annual cash generation should cover the dividend two times over. A slowdown in industrial production could hurt Chemtrade over the near term, but this stock should give you a balance of income and stability during any correction.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:CHE.UN (Chemtrade Logistics Income Fund)
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