2 Stocks That'll Have Your Back in a Bear Market

### Description

The U.S.-China trade war is getting downright scary, as the "weapons" used in economic warfare have just gone over the top with China responding to Trump's imposed tariffs with a further devaluation of its currency.

Global markets are in a state of panic, and as the U.S. looks to make a case with the IMF on China's latest self-destructive retaliatory move, while Trump continues to urge the Fed to respond with further rate cuts, we could see volatility unlike anything the markets have seen before.



Many pundits agree that President (or is it Emperor?) Xi is more than willing to wait it out until 2020 to see if Donald Trump gets the boot from the White House. As the election countdown begins, Trump may be ready to take the trade war into overdrive with a combination of aggressive tariffs and fast-and-furious rate cuts as the overly hawkish Fed may have found itself in a pickle again.

One thing is for sure: nobody knows what's going to happen next, so it's best to be prepared for turbulent times with stocks that can form a foundation for your portfolio. The year ahead was supposed to bring forth modest economic growth, but now the trade war is taking a turn for the worst, this modest economic growth may actually evolve into a wicked global recession.

Here are two top picks that are attractively valued and can lower your portfolio's correlation to the broader markets as off-the-charts volatility causes the bear to rear its ugly head once again.

## Fairfax Financial Holdings

You have no hedge against a recession?

**Fairfax Financial Holdings** (TSX:FFH), a financial holdings company engaged in insurance (that's run like Prem Watsa's hedge fund), is the perfect bear repellent that a Canadian investor could ask for.

Prem Watsa, as you may know, is known as Canada's Warren Buffett.

While he hasn't posted the best returns over the past few years thanks to poorly timed investment decisions and sub-optimal underwriting in the insurance business, Watsa still has what it takes to forecast and respond accordingly to macroeconomic trends. And when the markets take a turn, his firm will have your back, even though Watsa is technically more bullish than he used to be prior to Trump's presidential victory.

Today, Fairfax isn't as hedged as it used to be, but it still isn't 100% bullish on the market, as some hedges are still in place with an emphasis on downside protection.

Watsa's firm will rise again, and come the next recession, I wouldn't at all be surprised if Fairfax falls to a lesser extent relative to most other stocks out there.

## BMO Low Volatility Canadian Equity ETF

Up next, we have **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), a low (and smart) beta ETF of some of the most resilient stocks on the TSX index.

Most of the constituents are free-cash-flow-generative companies that have either sizable dividends or above-average dividend-growth potential. Big dividends dampen volatility over the medium term, but it's the telecoms, utilities, and REITs that allows ZLB to really zig when the markets zag.



Zigging when the markets are zagging is what low-beta investing is all about, and when unforeseen events dictate the trajectory of the stock market, and not earnings, it's ZLB that'll have your back when the rug is pulled from underneath Mr. Market.

Best of all, the lower volatility offered by ZLB doesn't come at the cost of returns over time. In fact, returns have beaten the benchmark since inception. It doesn't get any better than that.

For a mere 0.4% MER, ZLB can be your TFSA's foundation, too.

Stay hungry. Stay Foolish.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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2. Newscred
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**Date**
2025/07/04
**Date Created**
2019/08/07
**Author**
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