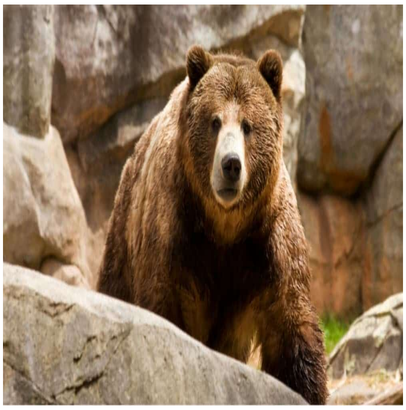

2 Secure Stocks for a Nasty Bear Market

Description

After years of hibernation, the bulls are knocking on the door. Volatility is rising with the slowing global economy due to the protracted trade war. As such, the market is declining, which is one of the characteristics of a bear market. But it doesn't mean you can't stay invested in stocks.

If the longest-running bull market is coming to an end, what are the things you must do to prepare for a bear market?

Accept the bear market

The stock market has two primary cycles: bull and bear markets. Although it's generally shorter, a bear or declining market happens. You don't need to panic like risk-averse investors whose tendency is to sell and make profits before the bear market hits. A better strategy is to limit the downside to your portfolio.

Seek out defensive stocks

Veteran investors seek out defensive stocks during a bear market. You can find these stocks in the utility sector. Power generators **Hydro One** (TSX:H) and **Capital Power** (TSX:CPX) are stable utility companies with good balance sheets, steady cash flows, and safe dividends.

Hydro One is the largest electricity transmission and distribution service provider in Ontario. The large-cap stock distributes electricity to 1.4 million residential and business customers, which comprise 26% of the total customers in the province.

The length of the distribution lines Hydro One manages and maintains could wrap around our planet three times. To date, it owns 6,000 megawatts (MW) of power generation capacity at 26 facilities from various energy sources.

Hydro One's three-year, $5 billion investment plan translates to about $1.3 billion annual investment into Ontario. An essential role of the company is to replace, repair, and upgrade the antiquated transmission systems consisting of transformers, steel towers, and transmission lines.

With major projects in Central and Western as well as in Northern and Eastern Canada, Hydro One's could maintain steady cash flow for years. The transmission rates from these service territories will cover the operational cost while allowing the company to pay the current dividend yield of 4%.

Capital Power is a growth-oriented power producer in North America. The company has built a legacy from coal-fired plants in Alberta but has now focused on green energy solutions. In a short span of five years, this mid-cap stock was able to re-position its power-generating portfolio and establish a robust industry footing.

The business model of Capital Power is straightforward: it focuses on generating stable and growing cash flows from a contracted and merchant portfolio. With this strategy, this $3.25 billion regulated electric company projects a 7% dividend growth through 2021. The stock currently yields 6%.

CPX is up almost 18% year to date with analysts projecting a potential upside of 28% in the coming months. Despite the sluggish growth environment in 2018, Capital Power's net income grew by 99% to $267 million. For this year, the growth estimate is in the vicinity of 31.7%.

Re-balance your portfolio

Gravitating to defensive stocks is a form of investment re-balancing. Whether it's a bull or bear market, you should re-balance your portfolio regularly. But with Hydro One and Capital Power in your stock portfolio, you'd be protected from a bear market.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)
2. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
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4. Sharewise
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Category

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Date

2025/08/20
Date Created
2019/09/02
Author
cliew