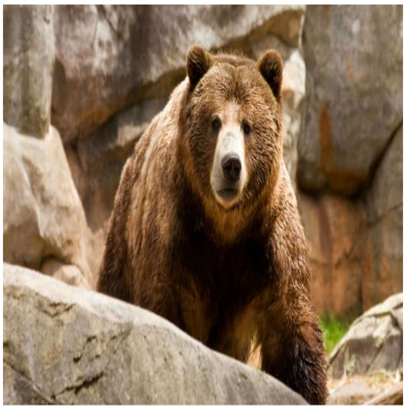

3 Safety Net Stocks for the Looming Bear Market

Description

If a bear market is coming, your course of action should be to invest in safety nets. **Inter Pipeline** (TSX:IPL), **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), or Scotiabank, and **Capital Power** (TSX:CPX) are the perfect hedges against a market downturn.

Safety net number one

Inter Pipeline, the company that's building Canada's first integrated propane dehydrogenation and polypropylene complex, should be the top safety net. The business model of this global-scale energy infrastructure firm is low risk. Its contracts with clients are long term, inflation adjusted, and commodity insulated.

Aside from ruling in Canada, Inter Pipeline is prominent in Europe because of its bulk liquids storage business. The company's oil sands pipelines, conventional oil pipelines, and natural gas liquids processing facilities are situated in Western Canada. Its activity in the two geographies has been reliable for years now.

Given the nature of Inter Pipeline's business, cash flow will be constant and uninterrupted. You can even prosper in a bear market because the stock pays a hefty 6.75%. The company has increased dividend every year in the last decade.

August is generally a weak month for stocks, yet the price of Inter Pipeline is nearing its 52-week high of $25.28. With Inter Pipeline, you have a high dividend payer and a top market performer.

Safety net number two

In a bear market, there's no need to speculate. You need to be on the safe side. That is why the next-best safety net for you is Scotiabank. Never mind the price movements, because there won't be wild swings. The stock is exhibiting steady performance so far in 2019 and is up 8.57% year to date.

I went through the exercise of looking at the total return of a $10,000 investment in BNS from 2008 to 2013. The period covers the start of the 2008 recession until the effects were no longer felt in 2013.

Surprisingly, the average annual total return was 9.25%, including reinvestment of dividends. Hence, there's no dispute that Canada's third-largest bank, which pays a 5% dividend, is a safe haven if you want to survive a market downturn.

Safety net number three

Last but not least, a stock in the utility sector would keep you secure for the duration of a bear market. Capital Power, a $3.24 billion utility company, has a good balance sheet, generates steady cash flows, and pays a high dividend of 6%.

Just like Inter Pipeline, Capital Power's business model is low risk and covered by contracts from which it derives stable and increasing cash flows. The company operates a portfolio of energy producers such as coal, natural gas, solar, wind, and solid fuel.

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%.

For the next five years, the annual growth estimate for Capital Power is 13.94%, which should be suitable to realize its goal to effect a 7% dividend growth through 2021. While anticipating a bear market, you have the liberty of enjoying high dividends and preserving capital.

Safe and secure

The three safety nets will allow you to survive a bear market regardless of length. You'll receive generous dividends for the duration of the bear market and long after it's gone.

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2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CPX (Capital Power Corporation)

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