2 Stocks to Hold Through a Market Crash

Description

Cyclical stocks are a great way to get outsized returns in an upmarket, but as the risk of recession rises, it's not a good idea to overweight your portfolio in such names, as potential downside could be amplified once the bear rears its ugly head.

As such, it's vital to take a bit of profit off the table if you find your portfolio is overly cyclical amid this growth-to-value rotation and use the proceeds to buy defensive stocks that'll have your back in the next bear market. Although the price of admission to such defensive stocks has increased in recent weeks, they're still a great way to mitigate your portfolio's risks as we head into yet another U.S. election year.

Without further ado, here are two top stocks you'd want to hold through a market crash.

Fairfax Financial Holdings

Fairfax Financial Holdings (TSX:FFH) is one of those Canadian stocks that zigs when the markets zag and vice-versa. Headed by Prem Watsa, a man known as Canada's Warren Buffett, Fairfax is an insurer and holding company that's operated more like a hedge fund than Buffett's **Berkshire Hathaway**.

Like Buffett, Watsa isn't afraid to make bold bets, but unlike Buffett, Watsa has been known to take on hedges and short positions to bet on macroeconomic trends. Fairfax escaped the last recession unscathed, but through periods of market outperformance, Fairfax has stalled.

Of late, Fairfax is down in the ditches, thanks to less-than-stellar underwriting (which has since started to pick up). While Fairfax has been an underperformer in recent years, the stock still has substantial downside protection come to the next economic downturn. Moreover, the stock is trading at a decade-low valuation.

If you’re still a believer in Watsa, Fairfax and its 0.38 beta could prove to be a perfect fit for your portfolio.

Hydro One

Hydro One (TSX:H) is a regulated utility that gets a bad reputation. The company virtually has a monopoly over Ontario’s transmission lines and was slammed many times in the past for price gouging and excessive executive salaries, making the company a primary target of Ontario premier Doug Ford just over a year and a half ago.

Given Hydro One’s growth was limited in its home market, the Avista deal was to provide Hydro One with a meaningful growth outlet. Unfortunately, the Avista deal was blocked by U.S. regulators, and Hydro One stock has been hovering around in limbo until the stock caught a new breath of life in 2019, with shares now up 22% year to date thanks primarily to the growth-to-value rotation and the fact that rich dividends are now seen as the only game in town with bond yields as low as they are.

Yes, Hydro One’s growth may look lacking, but it still has one of the safest dividends out there. The 3.93% yield is worth a heck of a lot more than any bond, and with shares trading at just 2.3 times sales, the stock isn’t that expensive given its desirable defensive characteristics.

With a beta of 0.08, the markets could quake, and Hydro One investors wouldn’t know what happened based on the highly uncorrelated moves in the stock.

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