Risk Reduction 101: A Recession-Proof Stock I'd Buy Right Now

Description

Many pundits would agree that there's a high risk of recession. And although nobody has a crystal ball (some may argue that the inverted yield curve is one), it's only prudent to adopt a risk-parity approach with an "all-weather" portfolio to better weather the next storm.

Can the markets continue roaring higher, making the recession callers look foolish (that's a lower-case *f*)? Of course it could, but does that mean you should position your portfolio to profit most from an upmarket with cyclical names? Probably not, unless you're willing to risk your shirt on a one-sided bet that could quickly go sideways.

Timing the market is never a good idea, but ensuring you're well prepared for whatever Mr. Market throws at you is. Moreover, you don't even need to compromise on the returns front by playing defence with some of Canada's better recession-proof stocks, as they have the capacity to deliver better-than-average results under any market conditions.

Enter **Hydro One** (TSX:H), a recession-proof defensive play that's arguably the most controversial Canadian utility to own after all the politically infused drama that happened just over a year ago.

Despite being a company that's universally unloved by regulators and its customers (for taking advantage of its monopoly position in Ontario's electric transmission network), the dividend remains one of the strongest on the TSX. And those that own shares in the company come the next significant downturn will be the ones that will be laughing their way to the bank as others go into a panic.

While the future magnitude of Hydro One's dividend growth is suspect following the failed **Avista** deal, which would have allowed Hydro One to break into the "growthier" U.S. market, investors have begun to realize just how much the stability of Hydro One's dividend is genuinely worth.

In an era where you can't make a decent return off bonds, Hydro One is seen as the ultimate bond proxy with its 3.95% dividend yield. Operating in a monopolistic market comes with its perks. While regulators may stand in the way, operational cash flows are about as stable as they come, making Hydro One's dividend far superior to any coupons paid out by bonds.

Last summer, when the stock was trading at $18 and change (it's now at $24.54), I'd encouraged those looking for rock-solid income to initiate a position, praising Hydro One for its safety, dividend reliability, and undervaluation. While the price of admission has since gone up considerably, the stock is still a must-own if you're looking to cut down on risk — something that's advisable in today's highly uncertain market.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/24
Date Created
2019/10/02
Author
joefrenette