2 Utility Stocks That Can Survive the Next Depression

Description

According to a recent **Bank of America** survey, the next recession is on its way. The bank surveyed more than 230 fund managers, and the number who believe a global recession will occur over the next 12 months hit the highest level since the financial crisis of 2008.

While it's been more than a decade since that turmoil occurred, it's helpful to revisit what happened. The **S&P/TSX Composite Index**, **Dow Jones Industrial Average**, **Nasdaq Composite**, and **S&P 500** all declined by more than 50%.

It was the worst stock market crash since the Great Depression. Decades of savings were wiped out in a matter of months. Millions lost their jobs. The future shed every semblance of certainty. The downturn was so deep that many pundits called it the Great Recession.

While another depression seems unlikely, it's helpful to remember that few predicted the crash of 2008. If you're worried about the safety of your capital, especially if you're a retiree relying on a fixed income, it's critical that you prepare *today*.

Fortunately, there are stocks that can weather another depression without sacrificing long-term upside potential.

Both of the following utility stocks have built their businesses around resiliency and long-run success. They've demonstrated proven success during turmoil while still delivering attractive annual returns to shareholders.

Power is a winning bet

Betting on power consumption is a winning strategy, which is why utility stocks are so reliable. Over the last 50 years, demand for energy has more than doubled in Canada. There hasn't been a decade yet that's seen power consumption fall. Down years are rare.

During the 2008 meltdown, for example, Canadian power demand fell by less than 5%. When the world was collapsing, utility stocks stayed the course.

Consider **Emera Inc** (TSX:EMA). Last year, the company earned $6.5 billion in revenue from $32 billion in assets. The best part is that the business is almost completely regulated.

More than 95% of Emera's assets are regulated, meaning that it's guaranteed a certain rate base and pricing no matter what happens to the economy.

The strength of this regulated model was on full display in 2008 and 2009. When the global economy was spiraling out of control, Emera's stock actually *gained* 13% from the beginning of 2008 through the end of 2009.

When adding dividends, investors received compound annual returns of roughly 10% through one of the worst bear markets in history. Now that's strength!

Even more safety

Fortunately, Emera isn't the only game in town. **Hydro One Ltd** (TSX:H) has a business that's even *more* regulated. Last year, more than 99% of cash flow came from regulated sources.

The company has one of the strongest balance sheets in the industry and has no exposure to swings in commodity prices. When it comes to bulletproof stocks, Hydro One is a textbook example.

Over the next five years, management is targeting 5% annual revenue growth with a 70% to 80% payout ratio. The current dividend yield stands at 4%.

While it won't break the bank, it's highly likely that Hydro One will achieve positive high-single-digit returns for the next five years and beyond. That's *regardless* of what happens with the global economy.

Regulated utility stocks are often the safest place to be during a bear market, and Hydro One is as safe as it gets.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. 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

Date
2025/07/27
Date Created
2019/10/06
Author
rvanzo