



1 Top Stock Every Investor Should Own in a Bear Market

Description

There are growing fears that the current bull market will end abruptly as the U.S./China trade war, tepid growth in the Eurozone, and softer manufacturing activity in China [all weigh](#) on the global economic outlook.

There are worries that equity markets are overvalued and that a sharp correction is looming, which will trigger a long-term bear market. While this typically sparks considerable fear among investors, they shouldn't exit the market. Bear markets are an ideal opportunity to acquire quality stocks at an attractive valuation.

During the Great Recession over a decade ago, Canadian banks were hit hard, as many other banks across the globe teetered close to collapse or required government bailouts to survive, which caused sentiment to turn against financial institutions.

Since then, the big banks have delivered solid returns for investors, as highlighted by **Toronto-Dominion Bank** delivering 215%, including dividends, over the last decade, which equates to an average annual return of 12%.

That emphasizes why it is important to ignore the sensational, fear-generating headlines that abound when [markets crash](#) and invest for the long term. The secret is to select stocks with wide economic moats, strong balance sheets, quality assets, that operate in industries with oligopolistic characteristics and have solid growth prospects. Many stocks that possess those attributes typically have a long history of paying steadily growing, sustainable dividends.

Solid defensive attributes

One stock that stands out is diversified clean energy utility **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). It not only possesses similar defensive characteristics to traditional electric utilities but also has considerable growth potential. Because of the inelastic demand for electricity and the important role in modern society for electric utilities, they have substantial defensive attributes, making them ideal stocks to own during economic downturns.

Brookfield Renewable, because of the highly regulated nature of the power industry and its steep barriers to entry, has a wide, almost impassable economic moat protecting it from competition. The partnership also operates in an industry with oligopolistic characteristics, allowing it, to an extent, to be a price maker rather than a price taker, further protecting its earnings and ability to grow revenues.

This becomes apparent when it is considered that Brookfield Renewable has successfully renegotiated power-purchase agreements in Canada, Colombia, and Brazil as part of its re-contracting initiative to receive higher prices per megawatt hour generated.

That is enhanced by the diversified nature of its operations, which see it operating in a range of developed markets — providing it with stable earnings — and emerging nations — where it benefits from superior growth because of their rapidly expanding economies and population. The secular trend to renewable energy, which is gaining momentum in a post-Paris Climate Accord world, will act as a powerful long-term tailwind for Brookfield Renewable, further enhancing its growth.

A combination of improved hydrology, higher purchase prices for the electricity produced, and increased power generation because of new assets being commissioned saw Brookfield Renewable report some solid second-quarter 2019 results. These include a notable 35% year-over-year increase in funds from operations to US\$0.74 per unit and net income of US\$0.05 per unit compared to a US\$0.01 loss a year earlier.

Brookfield Renewable's earnings will continue to grow with it involved in a range of transactions, including the US\$500 million acquisition of a 50% interest in one of Europe's largest solar developers X-Elio, which has a 4.8-gigawatt project pipeline. There was also the US\$720 million acquisition of a 322-megawatt scaled generation business in the U.S., which almost doubled its operational footprint.

Brookfield Renewable pays a regularly growing sustainable distribution, which it has hiked for the last nine years to yield a juicy 5% and will reward investors with a regularly recurring income stream as they wait for the economy and market to rebound.

Foolish takeaway

Brookfield Renewable boasts a rare mix of defensive characteristics and strong growth potential, making it an ideal stock to hold during bear markets and economic downturns, which will perform strongly when markets rebound. The partnership's attractive valuation and sustainable distribution of 5% coupled with a long history of regularly hiking that payment make now the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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