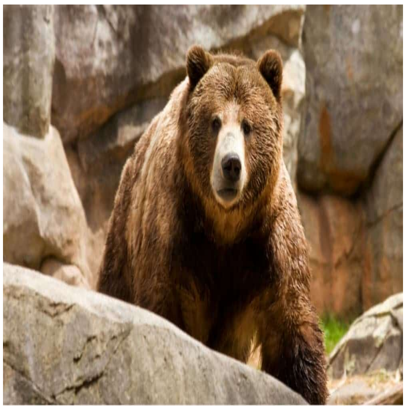

Prepare for a Bear Market in 2020 With Fortis (TSX:FTS) Stock

Description

Most investors looking forward to 2020 are worried. The current cycle has been a long one, stock markets are trading at or near all-time highs, and risks continue to mount. I mean, how long can we sustain a debt-fuelled growth boom before it falls apart? In the same respect, how long can governments and central banks keep propping up the economy?

The answers to these questions are difficult to predict, clearly. Markets have defied many economists' and investors' expectations in their strength and resiliency, and today, we are left with a growing consensus that a recession is coming. The timing of this, though, is unclear and seems to be anybody's guess.

How can we prepare our portfolios for a bear market in 2020? We can focus on recession-proof businesses and we can focus on income.

Withstanding a bear market with Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility holding company with 10 regulated utility operations throughout North America. This investment-grade company has $52 billion in assets serving customers in Canada, the U.S., and the Caribbean, making it a North American leader in the regulated gas and electric utility industry.

Fortis's stable and predictable earnings profile is a key feature of this defensive stock, one that highlights the company's defensive nature and the fact that Fortis stock is a "bear market" stock. With 94% of its earnings currently coming from regulated utilities and 99% coming from regulated utilities and/or long-term contracted utility infrastructure, we can count on predictability, even in a time of market and economic volatility.

Against this backdrop, Fortis has been able to provide a very reliable dividend profile for its shareholders. Fortis has 46 years of dividend growth under its belt, with an annual dividend-growth target of 6% expected through to 2024.

Low-risk growth

Fortis has strong growth opportunities that are being driven by regulated investments in grid modernization, clean energy, and the emergence of LNG infrastructure. Importantly, the company is planning for this growth to come organically, funding it mostly through cash flow from operations, without going to the debt or equity markets. This low-risk growth path preserves shareholder value and preserves the company's balance sheet.

Continuing along on the theme of low-risk growth, Fortis plans to direct 99% of its capital spending to the regulated businesses and 80% of this spending is on smaller projects. Regulated projects are lower risk and smaller projects are more achievable and therefore also lower risk.

Much of this capital spending and growth will come from cleaner energy. For example, FortisBC is the owner of the only two LNG facilities in British Columbia. After the liquefaction plant got its first term contract to send Canadian LNG to China, further expansion will be required to meet increased demand in the emerging Canadian LNG industry.

Foolish final thoughts

We have seen that Fortis is a recession-proof business that provides its shareholders with strong, predictable, and growing income. Fortis shareholders have been able to count on long-term profitable growth for many decades and through many cycles. All of this makes Fortis a stock to own in a bear market.

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1. Dividend Stocks
2. Investing

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