



2 Dividend Stocks I'm Buying If a Bear Market Hits

Description

A growing number of fund managers and economists are expecting a [bear market](#) to hit in 2020. While growing concern doesn't guarantee a market downturn, it's prudent to build a watch list of recession-proof stocks should conditions take a turn for the worse.

Fortunately, there are two stocks that should perform well *regardless* of what happens with the global economy. Plus, they pay fully-backed dividends, providing you with fresh cash to meet daily expenses or buy even more stock.

If a bear market hits, the following stocks are at the top of my buy list.

Regulated results

I once called **Hydro One Ltd** ([TSX:H](#)) the "safest stock on the TSX." Since then, nothing has changed. When you look at the underlying fundamentals and growth drivers, I still don't think there's a safer stock you can buy. That's because 99% of Hydro One's business is rate-regulated.

Hydro One is a classic utility, delivering hydroelectric power to residents in Ontario. It's a simple business, especially given that demand for power is highly predictable. Even during the 2008 financial collapse, electricity demand in Canada only dropped by a few percent.

Should demand become volatile, Hydro One won't experience much impact considering its rate base (those that purchase electricity from the company) is regulated, meaning that it's guaranteed a certain size and price. It would take a calamitous event to disrupt Hydro One's revenue streams.

Over the next five years, Hydro One aims to grow EPS by 5% annually. In addition to its 4% dividend, total shareholder returns should be in the high single digits. Unless a recession hits, that's nothing to write home about. When global stock markets are plunging by 30% or more, don't be surprised to see Hydro One stock maintain its value entirely.

Green stability

Renewables are taking over the grid. Just take a look at the U.S., the largest renewables market in North America. According to the U.S. Energy Information Administration, 23.7 gigawatts of new electricity capacity will be added to the U.S. grid in 2019.

Another 8.3 gigawatts of capacity will be retired. Around two-thirds of the new capacity will come from renewables like wind and solar, with the remaining one-third stemming from natural gas additions. Nearly 100% of the retirements come from legacy fuels like coal.

At this point, a green electricity future is all but guaranteed. The only thing holding back the transition is time. Older coal plants, for example, still have several years left of cheap generating capacity.

When they're retired, however, they're typically replaced with renewables. Today, the rise of renewables isn't limited by cost, but simply the replacement cycle.

Companies like **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#)) are taking advantage of this multi-decade shift towards clean energy. Already, Brookfield owns more than \$50 billion in renewable assets across 15 countries. Wherever there's opportunity, Brookfield can capitalize.

While green energy sources are often dinged due to intermittent production schedules (the sun doesn't always shine and the wind doesn't always blow), these are actually incredible assets to own.

Over any 12-month period, the generation capacity of renewables is actually quite predictable. Their production costs (essentially \$0) are also easily forecast. Compare that to coal or natural gas, which experiences swings in pricing on a minute-by-minute bases.

Owning a portfolio of renewable assets gives Brookfield a reliable revenue stream that's extremely unlikely to be surpassed on a cost-competitive basis.

Brookfield management claims that they have a "consistent, proven and repeatable strategy." It's hard to disagree. Since 2000, shares are up more than 500% while paying a dividend that consistently exceeds 5%.

Today, the market cap is just \$9.7 billion, but the global renewables opportunity should eventually be worth *trillions*. As with Hydro One, demand for Brookfield's assets is fairly predictable. Combined with ever-increasing cost competitiveness, that should make this stock a reliable rock if markets turn dicey.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

3. TSX:H (Hydro One Limited)

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