WARNING: The Bull Market in Stocks Will Crash Hard!

Description

2019 has witnessed a massive bull market in stocks, which have been hitting all-time highs, despite tepid economic growth.

After a weak finish to 2018, stocks rebounded in a big way. The first few months of 2019 witnessed a massive bull market that stalled out in the summer but promptly resumed in the fall. Now, the TSX is nearing all-time highs, and investors have never been happier.

All the more reason to worry!

With Canadian GDP growing at just 0.1% and key industries like rail transportation slowing down, it's likely that the current bull market isn't justified by fundamentals. Depending on how things play out, the current bull market could crash hard. To understand why that is, we need to look at how we got to this point.

10 consecutive years of economic growth

We are currently in the midst of 10 consecutive years of economic growth. This is the longest economic expansion in history. While stocks haven't been quite as consistent in their gains as the broader economy has — they saw down years like 2018 — they have also had a solid 10-year run.

Situations like this can't last forever.

10 consecutive years of GDP growth is unprecedented, and the current run will come to an end sooner or later. As for when it will come, nobody can say for sure, but there is a growing consensus that it could be soon.

When will the crash come?

According to a recent survey by the National Association for Business Economics, 74% of economists polled believe a recession will hit no later than 2021.

Citing risks associated with U.S. president Trump's economic policy, the polled economists believe that the economy is already at risk.

What happens in the United States always has spillover effects on Canada, so if the forecast U.S. recession materializes, Canada will likely enter one as well. In light of this, what should you do to protect your portfolio?

How to protect your portfolio

If you are worried about a coming market crash, you can protect yourself by investing in utility stocks like **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN).

Utilities tend to hold their value well during recessions, owing to the indispensable nature of their service. People would rather cut out their cell phones and cars than go cold in the winter. So, even as a recession takes its toll on incomes, utility revenues tend to remain solid.

Algonquin itself is one of the best-performing utilities in Canada.

As a smaller utility company with massive investments in renewable energy, it has a lot of room to grow.

Over the years, Algonquin has outperformed both the TSX and the TSX utilities sub-index. It has even outperformed **Fortis,** a market-beating utility in its own right.

Algonquin's base of operations in the U.S., where it does business as Liberty Power and Liberty Utilities, gives it a favourable exchange rate impact that boosts its earnings.

The company's stock is up 37% year to date and pays a dividend that yields 3.99% at current prices. Overall, it's one of the best recession-proof TSX plays out there.

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