1 Green Power Stock to Buy as the Trade War Intensifies

Description

Recession-proofing is back, with defensive assets beginning to see positive moves again. Gold and silver were popping, as the markets reacted to indications that the trade war could be about to get deeper and wider. Indeed, with time almost up for a U.S.-China trade deal, investors should get ready for the potential for a post-December 15th market correction.

It’s time to start reducing risk

The U.S. is standing by to slap an extra 15% tariff on $156 billion of products from the Asian economic powerhouse. While recession isn’t necessarily imminent, investors should begin stripping risk from their stock portfolios.

At the same time, the spectre of hiked tariffs is spreading to other geographical areas. For instance, the Office of the U.S. Trade Representative has brought up the possibility of 100% tariffs on $2.4 billion of French goods. The move would be largely retaliatory one, in return for a perceived discrimination of France’s tax on American digital companies. Wine, cheese, and handbags could take a hit from the tariffs.

While the recessionistas have already had plenty to say about the threat of a North American recession, the fact is that the warning signs have been slowly stacking up, indicating that a correction could indeed be on the way. Talk of negative interest rates south of the border has also been doing the rounds, which would raise concerns for long-term savers and could call for certain tax codes to be rejigged.

Beat a recession and tap into growth

Considering the effect that the Sino-American trade war has already had on global markets, it might benefit Canadian investors to start looking with renewed interest at reducing risk in their stock portfolios. Utilities could be a defensive play on value, with the sector relatively unloved.

The explosive green economy has been an increasingly divisive topic in the U.S., with the president pulling the country out of the Paris Agreement at a time when Democrat hopefuls are planning to steer legislation further in the opposite direction. Combining the value and recession-ready qualities of renewables and energy could also add momentum.

Algonquin Power and Utilities is an especially solid buy at the moment for its mix of clean power production, reasonable market ratios, and the defensive qualities of the energy sector. It's up by a few points this week, as investors seek out quality, and its nearly 4% yield make for a strong addition to an income portfolio, including a long-range TFSA or even an RRSP.

Electricity production has to be among the most stubbornly defensive of sectors, with only accommodation REITs and consumer staples sharing the same characteristics. Investors gain access to a range of quality transmission assets, with the company generating revenue from power sales from green sources, including hydro, wind, solar, and thermal.

The bottom line

Algonquin is a strong choice for investors seeking to get defensive while also tapping the upward momentum of the green energy mega-trend. Investors seeking to stay safe through a potential market downturn have a good mix of income, value, and asset diversification in an essentially recession-proof sector.

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