Market Crash Odds at 50% in 2020 According to Market Experts

Description

The end of 2019 brought with it ample warnings of a market crash. But not all economists and experts were on the same page about the likelihood of a full recession. The main reason is that the probability of a recession is not very easy to calculate.

However, according to some market experts, the dawn of the New Year has brought with it a higher level of certainty. Many now believe that the odds of a market crash are close to 50-50.

But there is a silver lining. While the odds are getting longer, experts also agree that the market crash won't be of the same magnitude as the last great recession. Instead, it will more likely be a market correction – a small dip rather than a steep fall. Usually, a correction is considered a 10% drop in the index. It's not enough to grind everything to a halt, but it does slow things down.

What can you do?

Whether there is a market crash or a correction on the horizon, there isn't a lot you can do about it. Except maybe tying down your portfolio with some low-risk stocks, buying into good companies when they are at a sale valuation, and holding on to the right companies you have on your portfolio. Because when the dust settles, most of the good companies with impressive track records will start growing back up.

There is a catch, though. The expectation of the market reflating after a crash has caused US equities to be a bit over-priced now. If the same pattern is repeated here, the start of 2020 might not be a perfect time to consider risky assets. Because if there is a market correction coming, the chances of the now over-priced stocks hitting fair value, or even going undervalued, are substantial.

Low volatility stocks

Whether it's a bear market or a bull market, whether a recession has hit or it's a long way off, there are some stocks that won't be much affected by it all. Thanks to low volatility, these stocks don't follow the broader market. One such stock is **Fortis** (TSX:FTS)(NYSE:FTS). The utility conglomerate has a near-bottom beta of 0.06. The company is not correlated to the market indexes at all.

Fortis has been a steady grower, with a compound annual growth rate of 6.5% in the past 10 years. It may not be an impressive growth, but it has been steady. Even during the 2014 market decline, Fortis's market value barely hit a double-digit slump. Another thing that gives some serious credibility to Fortis's stability in a volatile market is the nature of its business. Utilities are one of the most evergreen businesses, and promise steady cash flows.

The cherry on top is Fortis's impeccable dividend history. As a dividend aristocrat with 46 consecutive years of increasing payouts under its belt, Fortis is in a class of its own. The yield of 3.54% is also juicy enough, especially when you are sure that you will see an increase in the payout every year.

Foolish takeaway

The chances of a market crash might be higher than they were last year, but with adequate preparation and stakes in good businesses, you don't have a lot to worry about. If you have a well spread out portfolio containing some dividend aristocrats, some low-volatility stocks, and some growth stocks, you won't get hit that hard in a market crash.

Plus, you will have a chance to load up on good stocks when they are priced at a bargain. Rather than just buying what's cheapest, make sure you invest in good companies and businesses.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
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