The Housing Market Is Strong in 2020, but Prep for a Crash at Any Time

Description

The Monetary Policy Report released by the Bank of Canada in October last year said there was a turnaround in the housing sector. Likewise, while the economy grew at a moderate pace, a recession is unlikely to happen in 2020.

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Analysts are predicting the housing market in Canada to remain reasonably robust this year, although the possibility of a crash is always present. The amount of supply or inventory situation in some areas is tight. Alberta's housing market is still in the recovery stage, following the downturn in oil prices several years back.

Growth should pick up in the short term, as oil prices regain, and perhaps mildly in the long term. The Canadian housing market seems to be stabilizing, but new risks could come into play. Hence, it's safer to prepare for any eventuality.

Defensive posture

The best preparation against a crash or slump in the housing market is to invest in robust companies that are not directly affected by the sector's bubble bursts.

Pembina (TSX:PPL)(NYSE:PBA) is the model of resiliency, which best fit investors with low-risk investing profiles. This $25.65 billion oil and gas midstream is a standout in the energy sector, notwithstanding the headwinds.

Substantial heavy volumes of natural gas and petroleum products pass through its 10,000 kilometres of pipeline network before reaching its principal clients in North America. Also, the company is not alien to market crashes but has been able to endure each one that comes.

You have an instant passive-income provider regardless of market environments. The energy stock currently pays a 5.03%, which should give you an annual income of $5.030 without much effort. If you have no immediate need for cash, keep re-investing the dividends to realize the compounding effect.

The second-largest convenience store operator is an ideal investment not only during a housing market crash but in times of heightened market volatility. **Alimentation Couche-Tard** (TSX:ATD.B) offers investment protection because its business is defensive.

The growth of the company over the past decade is nothing short of phenomenal. Couche-Tard's CEO Brian Hannasch and his management team were able to increase the number of convenience stores through skillful acquisition, takeover, and integration moves.

With the 16,000 stores, gross profit and net income have been steadily growing in the last three years. The U.S. market contributes the most to total revenue (70%), while the branches in Canada and Europe maintain consistent sales volume.

This $49 billion industry consolidator is paying a measly 0.5% dividend, but the most important is that there is investment safety and insulation from a housing market crash. Historically, the total return on a $10,000 investment made 10 years ago is 864.58%.

Be a step ahead

The housing market is not out of the woods yet, although it's starting to gain strength. However, owning defensive stocks such as Pembina and Couche-Tard should lessen your worries in case of another crash. It's better to be safe than sorry.

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