Buy This 1 Wide-Moat TSX Stock If You Fear a Market Crash

Description

Canadian financials showed their cyclical side at the tail end of last year when disappointing earnings and trade war uncertainty weighed on the Big Five.

The start of the year saw a similar trend when the Iraq crisis briefly threatened to spill over into a broader conflict. Hot on the heels of the Persian Gulf scare came the coronavirus outbreak (now known officially as COVID-19), and again bank stocks are down.

Investors also need to be aware of the precariousness of the markets and their vulnerability to black swans. A flare-up in the Middle East almost saw the first such market-shaking event mere weeks into the new year.

This was closely followed by the coronavirus outbreak – a situation that's by no means over and could continue to weigh on the markets, further weakening demand for oil and hitting top lines.

Reasons to get invested

However, market crashes also bring opportunities. From beaten-up quality assets to contrarian plays, keeping cash on hand to bag bargains during a bear market makes a lot of sense.

The so-called 1% still spends money in a recession, which could see surprising stability in certain high-end consumer durables out of reach of the general public. Affordable luxuries, including sin stocks, are also defensive.

Packing insurance in a portfolio is a strong move, with purchases such as **Manulife Financial** (TSX:MFC)(NYSE:MFC) stock making the cut for its mix of income, value for money, and long-term defensive qualities.

Selling at $26.42 per share at the time of writing, Manulife is considerably closer to its 52-week high of $27.78 than its year-long low of $20.90.

The value investor may want to wait for a dip, although if the TSX moves lower, investors may seek out Manulife as a defensive play on recession-resistant quality. On balance, the stock is worth buying at its current valuation for its mixture of income and safety.

As the number one choice in the country for life insurance, Manulife is a wide-moat stock for investors buying for a strong dividend portfolio. It's still cheap, however, selling at around half its future cash flow value.

Manulife almost doubled its earnings last year, and with 10% growth predicted annually, there's still room for more success. A forecast 47% total returns are possible by 2025, making for a strong buy.

For access to Asian growth, Manulife is a buy. With its balance sheet also improving, Manulife is the sort of stock that can be added once to a portfolio and left to manage itself with some confidence.

Its 3.74% yield makes for a moderately rewarding play for passive income in a sometimes overlooked field that could outpace a possible recession.

The bottom line

For a "tough nut" portfolio that can withstand market pressure, a spread-risk mix of consumer staples, certain REITs, gold, and utilities can help to supplement a varied and carefully chosen basket of stocks divested of at-risk sectors.

However, cautious TSX investors should also consider adding insurance companies with a wide moat to a defensive portfolio based around assets that can be held for long periods.

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