2 Great Canadian Stocks to Buy Now and Hold Forever

Description

The CNN Fear and Greed Index is firmly in the red this week, indicating that investor sentiment is riddled with extreme fear. Before we look at seven of the key characteristics of the correction rattling the stock markets, plus two great stocks to buy and hold, let's briefly review five guidelines for investing during a downturn.

A five-step "black swan" playbook

First of all, investors should know what they're holding in their stock portfolios. As Warren Buffett would put it, shareholders need to understand the businesses they're invested in. Second, a **TSX** stockholder should see long-term value in their holdings.

Third, investors should review their wish list for oversold stocks and get buying. A fourth tenet of recession investing holds that would-be shareholders keep some liquidity on hand in order to double down on deepening discounts as the market worsens. Finally, investors should hold onto their stocks and have faith that the markets will return to normal in the long term.

Seven indicators of fear

Stock price strength is low, indicating fear. This is indicated by the ratio of 52-week highs to lows, moderately skewed toward underperformance. The spread of junk bond demand of 1.87% in extra yield above safer corporate bonds is also higher, further indicating fear. As well, 24-month put and call options are currently strongly skewed toward the former.

Market momentum is down at a two-year low, with the **S&P 500** 1.62% below the 125-day average – a reliable indicator of extreme fear with implications for Canadian stocks. For the data-focused investor, the McClellan Volume Summation Index showed 23.65% more of daily NYSE volume declining than advancing. The CBOE Volatility Index (VIX) is also flashing at 30.84.

Safe haven demand is high, with bonds outperforming stocks by 7.57% in the last 20 days of trading, the weakest such stock performance in two years. Perhaps the most recognizable indicator to the casual investor, the relative performance of bonds to stocks currently signifies extreme fear in the markets.

Two TSX stocks to buy and hold

There's a case for buying quality stocks at knock-down prices right now. Down 10% Friday, defensive **Algonquin Power & Utilities** is a top TSX stock to buy on weakness. Its diversified power production operations feed a tasty 3.5% dividend yield. It's a key stock for renewables investment, with exposure to hydroelectric, wind, solar, and thermal power.

Another great stock currently on sale is popular tech ticker, **Shopify**. Down 11% at the end of a terrible week, the contrarian thesis is strong here: Up 144% in the past 12-month period, the e-commerce giant is a true Canadian success story strongly biased toward the upside.

For steep capital appreciation and access to the growth trend in online shopping, this low-risk retail stock has strong positive momentum.

The bottom line

Algonquin Power & Utilities and Shopify are recession-proof stocks for one reason: Even if the coronavirus becomes a pandemic, its effect on energy and online sales will be less severe than on other aspects of the economy.

While energy production is essential, e-commerce is likely to outlive its brick-and-mortar analogues. As such, both TSX stocks are strong buys.

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