Canada’s Stock Market Is Crashing Hard: Here’s What to Do

Description

If you’ve been following the markets over the past week, there’s a good chance you’re more than a little spooked. When the Dow sheds 3,600 points in a single week and the TSX halts trading, it’s hard not to be. We’re at the tail end of one of the longest economic growth periods in history, and it has to end at some point. The Coronavirus could very well be the catalyst for a downturn, if it continues disrupting supply chains and slowing down trade. Just recently, **Bank of America** forecast that 2020 would be the worst year for the global economy since the financial crisis, while economist Kevin Hassett said that the Coronavirus could “absolutely” spark a recession if not contained.

In the midst of all this, the Canadian economy is dealing with its own headwinds, stemming from ongoing Alberta oil woes and rail blockades. While the TSX didn’t slide as much as the Dow last week, it too had a brutal week, falling 9.37%. What’s more, there could be further pain to come. Canada’s economy grew at just 0.3% in the fourth quarter, its slowest quarter in four years, while manufacturers’ investments in equipment fell 3.6% and exports shrunk by 1.3%. It hasn’t been a great time for the economy or for the markets.

If you’re an investor, you’re right to be worried. However, outright panic is not in order. While many types of equities stand to lose from current economic conditions, some could actually benefit. By investing in them, you could weather the current storm without a scratch.

Focus on utilities

Utility stocks are the go-to equity investments in tough economic times. Owing to the indispensable nature of their services, they’re the very opposite of cyclical. In a raging recession, heat and light are among the last things people cut out of their budgets. People would sooner sell their cars than go cold. So, utilities tend to have remarkably stable earnings in economic downturns.

One great stock to buy

If you’re looking for a solid utility stock to buy in advance of a future downturn, you could do much worse than **Fortis** (TSX:FTS)(NYSE:FTS). Fortis is one of Canada's largest utilities, a behemoth with $52 billion in assets and 3.3 million customers. Most of Fortis's revenue comes from regulated utilities, providing huge barriers to entry that keep the company safe from competition in its service areas. Owing to this stability, Fortis management has increased the stock's dividend every single year for the past 46 years.

The biggest reason for investing in Fortis is the simple fact that it's a utility. It's that factor that provides the aforementioned stability in bear markets. However, that's not the only thing FTS has going for it. Fortis has historically performed much better than other Canadian utilities, thanks to its emphasis on growth, which has seen it rapidly acquire assets across the U.S. and the Caribbean. Presently, the company is embarking on a $18.3 billion capital-expenditure program aimed at driving more growth in the future; if it works out, FTS could continue to outperform.

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