Steal This 1 TSX Stock Trick to Play the 2020 Bear Market

Description

It's an old trick but a good one: to beat volatility in the currently choppy market, buy the dips and sell the rallies. Plenty of dividend stocks are going on sale at the moment, and with uncertainty high there should be a strong contrarian advantage over the coming months.

The rally that briefly lifted North American markets on Monday initially had some bullish pundits wondering whether the "coronavirus effect" was over. The next day, the Fed surprised the markets by slashing the interest rate by a half point to counter a threatening economic downturn. The effect was dismal, with the **Dow** falling 800 points.

The Bank of Canada fell into line Wednesday, cutting the key interest rate by 50 basis points. It's been half a decade since the last cut, though analysts had predicted that one was in the works. The move had a muted initial effect on the **TSX Index**, and the central bank stands ready to make a further cut to soften the blow of the spreading coronavirus on the economy. The takeaway? Recession-proof your portfolio.

Watch for the bottom and buy the dip

With a 5.45% dividend yield, **TransAlta Renewables** (TSX:RNW) is a top name in the Canadian alternative energy space, and a richly rewarding one at that. With oil and gold inversely correlated amid the worst economic situation since the 2008 financial crisis, renewables could join the yellow metal as a source of defensive capital and passive income.

With potential five-year total returns of 94%, a stash of TransAlta Renewables shares could bump up a portfolio significantly by the middle of the decade. The stock is of fairly good value, undercutting the renewables industry in terms of price to earnings, though this could improve on weakness. Up 41% in the past year, this play for wind, solar, and hydroelectric energy production is one of Canada's top green stocks.

Investors still have to set boundaries in terms of risk, though. TransAlta Renewables doesn't have the same all-round health exhibited by competitors such as **Northland Power**, for instance. A younger investor with more scope to experiment with a portfolio could add TransAlta Renewables as one of a basket of high-yielding green economy stocks to buy as the market devalues them.

Anyone looking to add quality stocks at discounted prices should do so as the market outlook deteriorates. While it may be too early to call the bottom, buying shares incrementally as they become oversold is a sound strategy here, while any rallies should be sold into. Quality green stocks like TransAlta Renewables, Northland Power, and **Algonquin Power & Utilities** are going on sale and worth snapping up.

The bottom line

Bulls are adding shares when the market is knocked down and trimming when it recovers. By following this light touch approach, a portfolio will continue to beat the market, so long as those stocks return a sufficient percentage to satisfy one's financial goals. Buying energy stocks like TransAlta Renewables taps into the growth potential of the green energy trend, while adding defensive passive income to a portfolio.

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