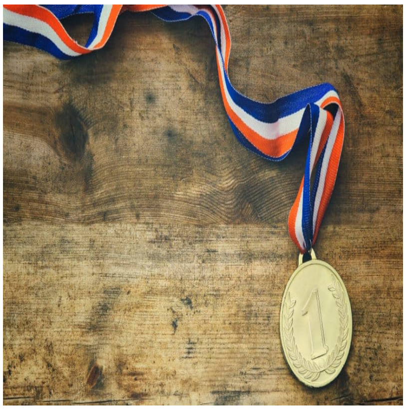

This High-Yield Dividend Stock Is Poised to Soar During a Market Crash!

Description

Last month, markets crashed worldwide, as anxiety over the ongoing COVID-19 outbreak rattled investor confidence. After **Apple** warned investors of lower revenue, and **Goldman Sachs** forecast that American companies would grow earnings by 0% in Q1, investors predictably pulled out of equities. This week, the market is showing signs of life again, after the fed slashed interest rates, and the Bank of Canada followed suit. However, investors remain nervous about trade impacts from the virus leading to broader economic weakness, possibly even a recession. In such a situation, few stocks would be positioned to thrive. This one, however, just might be.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is Canada's largest publicly traded utility, with 3.3 million customers and $52 billion in assets. With one of the longest dividend-growth streaks on the TSX, it's a tried-and-true income stock. Over the years, the company has grown significantly through strategic acquisitions and investments in infrastructure. Over the next five years, it's looking to grow more, investing $18.3 billion in capital expenditures to achieve that. The company's capital expenditures will go toward improving aging infrastructure and connecting northern communities to the electrical grid. If the projects go well, they could boost the company's bottom line.

Why it benefits from a market crash

Fortis as a utility stands to benefit immensely from a market crash. During times of economic uncertainty, investors tend to pour money into "safe" assets, especially bonds and utility stocks. Bonds are preferred for their safety, which stems to the fact that they have a priority claim on income over stocks. Utility stocks are preferred because utilities enjoy unusually stable earnings during recessions. Utilities provide heat and light, two essential services that people can't do without. Most people would rather sell their cars than go cold in the winter. So, in the event of a market crash that spills over to a recession, utilities can maintain solid earnings — or even grow their earnings.

Fortis, for example, grew its earnings in 2008 and 2009 — the years of the global recession. In those same years, most companies were losing money, with banks in particular posting year-over-year earnings declines of 50% or more. It was a testimony to Fortis's ability to remain strong in recessions and bear markets. Granted, all utilities have this advantage, since the revenue stability comes from the nature of the service they provide. However, Fortis has an advantage over many utilities in that it places more emphasis on growth, investing aggressively in new assets and infrastructure upgrades.

Just recently, the company inked Canada's first deal to supply LNG to China. That's a big milestone, and while the current virus concerns may blunt its short-term impact, it's further proof that Fortis is aggressively expanding its business. That's a big advantage for a utility company, providing the potential for upside in an industry that's known for providing steady dividend income and not much else.

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