



## WARNING: This Hedge Fund Manager Says a 1929-Style Market Crash Is Coming!

### Description

Last week, the coronavirus-driven market panic continued as investors pulled out of equities, particularly airlines and travel stocks. While the markets staged a last-minute recovery Friday afternoon that kept the Dow out of the red, the trend earlier in the week was alarming.

With stocks trading at historically high P/E ratios and **Goldman Sachs** forecasting 0% earnings growth for the year ahead, it's a scary time. Now, one money manager believes that we may be facing a disaster worse than 2008.

### Kevin Smith of Crescat Capital

Kevin Smith, CFA, is the founder of Crescat Capital, a global macro asset management firm. According to **Bloomberg**, Crescat's *Global Macro Fund* was among the 10 best-performing hedge funds of 2019, with a 40.5% return.

Recently, Mr. Smith took to Twitter, saying, *"Valuations are twice as high as the tech and housing bubble peaks... U.S. stocks are in a true mania. They have only just begun to unwind. This is 1929."*

Smith further elaborated on this point, saying that the Federal Reserve's "emergency rate-cutting" mirrors actions the bank took in 2001 and 2008—to little effect.

Although Smith didn't elaborate in detail on how his fund would be investing, he did hint that there was money to be made in gold, and from sovereign bond spreads.

### What to do

While it's always interesting to read about hedge fund kingpins' macro bets, they aren't realistic to emulate for ordinary investors. For one thing, the types of assets hedge funds invest in aren't always the most liquid.

For another, shorting and buying derivatives—two key hedging strategies—can be technically hard to implement with a regular brokerage account.

However—assuming you're fine with just getting decent long-term returns—utilities can make a wise play in a market like this. While they're likely to fall in a broader market selloff (as Smith himself pointed out), you can expect that they'll hold their value better than other stocks.

Consider **Fortis Inc** ([TSX:FTS](#))([NYSE:FTS](#)). During [the market crash of 2008/2009](#), it fell far less than other stocks, losing just 11% of its value from September 12th 2008 to March 7, 2009.

In the same period, the Dow fell 36%. If we take our start date back to 2007, when the market was going through a slower descent, Fortis lost just 25% to the Dow's 50%. Not only that, but the company's earnings also beat the averages.

While most large caps were seeing earnings declines in 2008 and 2009, Fortis posted earnings *growth* for two years in a row. On the strength of that earnings growth, the company increased its dividend in both years.

Over the [past 46 years](#), Fortis has maintained an uninterrupted streak of raising its dividend, thanks largely to its impressive earnings stability in bear markets.

While I wouldn't recommend buying it for a quick short-term profit, it works as an income play to buy hold for the long run.

## CATEGORY

1. Dividend Stocks

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2. TSX:FTS (Fortis Inc.)

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