3 Stocks to Buy if the Coronavirus Scare Gets Worse

Description

On Friday, stocks rebounded after two weeks of panic, with the TSX up 9.7% in one trading day. For investors, it was a much needed moment of relief. However, it looks like it will be short-lived. As of writing, futures are pointing to a losing day on Monday. Over the past few weeks, we've seen pronounced market ups and downs whenever major virus news was released. Accordingly, we can expect the volatility to continue as investors scramble to make sense of rapidly changing conditions.

For traders, this volatility will be a force to reckon with. For long-term investors, it needn't influence their decisions whatsoever. By investing money in stocks that are likely to survive or thrive in the present environment, you can watch your holdings grow over the long term. With that in mind, here are three TSX stocks that could thrive if the coronavirus scare gets worse.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is a Canadian utility with assets in Canada, the U.S., and the Caribbean. As a utility, it's less likely than most stocks to be affected by the coronavirus scare. Delivering utility services does not depend on people congregating together in large groups, so Fortis' business shouldn't be hit too hard. The company is also well positioned if the coronavirus scare grows into a full recession.

During recessions, utilities' revenues tend to be stable, since people don't typically cut out heat and light even when times are tough. It's for this reason that Fortis managed to grow its earnings in 2008 and 2009 – the years of the global recession. Fortis' ultra-stable business has made it one of the most reliable dividend stocks on the TSX, having increased its dividend every year for 46 years straight.

Dollarama

Dollarama Inc (TSX:DOL) is a dollar store that stands to profit in the event of a recession. During economic downturns, people become more price sensitive, and start shopping at discount retailers more frequently. This partially explains why **Dollar Tree's** stock rose over 100% during the great recession, and why **Wal-Mart** grew its earnings in that period.

Dollarama has some of the cheapest prices in Canada on grocery items, so it stands to benefit if consumers feel the squeeze. The markets seem to acknowledge this, as DOL stock is only down 4% over the last month (compared to more than 20% for the TSX). That implies that the reality I've just noted is partially priced in. However, the stock is still much cheaper now than it was two weeks ago.

Metro

Metro Inc (TSX:MRU) has been one of the best performers on the TSX over the past 30 days, falling only 0.09%. It's not hard to see why that's the case. The coronavirus scare has driven a panic buying frenzy that has seen grocery stores unable to keep up with demand. This means that stores like Metro could actually see increased sales. Granted, this is true of all grocery stores, including Metro competitors like **Loblaw**. However, Metro has somewhat healthier profitability metrics than Loblaw, with higher profit margins and returns on equity. The company's stock is also less volatile than Loblaw's, with a beta coefficient of just 0.17. Low beta is a desirable attribute for investors who can't stomach the wild ride of today's markets.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)
4. TSX:MRU (Metro Inc.)

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