Stock Market Crash 2020: Buying in Steps Is a Good Idea

Description

Truth be told, I love market crashes. I am happily embracing this crash, as it presents an opportunity to buy and hold fundamentally strong stocks at a bargain. However, the caveat to this is neither I nor anyone else knows whether the market has bottomed out or not. But one thing I certainly know is that buying quality stocks on dips will generate significant returns in the long term.

Timing the market is neither possible nor essential, but participating in it for the long term is vital in creating wealth. With the extreme slide in the market, it's prudent to put money in equities, but in steps. It is like starting a SIP (systematic investment plan) directly in fundamentally strong stocks. Accumulating quality stocks by investing at different levels seems a fair idea to me, as the markets are volatile and uncertainty remains.

Here are two such quality stocks you can buy at a bargain. Investors should note that even fundamentally strong stocks could suffer in the near term. Still, the chances of generating stellar returns are higher in the case of these stocks once the market rebounds.

Telus

Shares of the telecom giant **Telus** (TSX:T)(NYSE:TU) are down about 11% year to date. The decline in Telus stock has nothing to do with its fundamentals but reflects the negative market sentiment due to the COVID-19 outbreak.

The chances are low that Telus's business will take a hit from the spread of the coronavirus. Besides, it continues to boost shareholders' returns through increased dividends and share repurchases. The company boasts of returning $18 billion to its shareholders in the form of dividends and share repurchases since 2004.

Telus could continue to post strong financials led by higher data services revenue. The company's superior infrastructure, extensive fibre footprint, and deals with popular content providers are likely to drive subscriber growth in the coming years and, in turn, its revenues and profitability.

Telus stock trades at a P/E ratio of 14 times and offers a lucrative dividend yield of 5.3%, which makes it an attractive long-term bet and a buy on the dip. Further, with a targeted dividend-payout ratio of 60% to 75%, and its ability to generate strong cash flows, Telus will continue to enhance shareholders' returns through higher dividends.

Brookfield Renewable Partners

Brookfield Renewable Partners's (TSX:BEP.UN)(NYSE:BEP) unique defensive and growth profile makes it a safe long-term bet. This pure-play renewable power company remains immune to economic doldrums, thanks to its long-term power-purchase agreements. For instance, Brookfield Renewable stock is down only about 5% year to date as compared to a massive fall in markets.

Brookfield Renewable's power output is contracted for the long term and currently has an average remaining life of about 13 years, indicating stable future cash flows. Further, these agreements are inflation-indexed, leading to higher realized prices. Investors should take note that the gradual shift toward renewable power sources acts as a long-term tailwind for the company.

The company continues to boost unitholders' returns through higher distributions. Brookfield Renewable's distributions have increased at an annual rate of 6% since 1999, which is encouraging. Its stable and diversified cash flows enable it to drive distribution growth consistently. Brookfield Renewable expects its annual distribution to increase by 5% to 9% in the coming years.

Brookfield Renewable's dividend yield of about 5% and stable business make it a buy amid market selloff.

CATEGORY

1. Coronavirus
2. Investing

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1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:TU (TELUS)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:T (TELUS)

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Date
2025/08/25
Date Created
2020/03/18
Author
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