Market Crash: Why You Should Be Buying This Utility Stock Today

Description

Investors have already seen their entire gains and more from 2019 wiped out from this 2020 market crash. The **S&P/TSX Composite Index** saw a growth of 20% in 2019 and has since dropped more than 20% from the beginning of 2020.

The sudden market crash in the stock market has left investors in a state of panic, unsure of what they should be doing with their portfolios. Industries across the board have been hit from this market downturn, leaving very few companies unscathed.

As long-term Foolish investors, a market downturn like this should be used as a time of reflection. A time to evaluate our portfolio to determine if we are built to withstand a recession. In order to prepare for that, investors should consider adding a defensive stock to their portfolio.

Dependability

Canadian company **Fortis** (TSX:FTS)(NYSE:FTS) provides electric, gas, and non-gas utilities across the nation, now serving more than 3 million Canadians.

With a market cap of just over $20 billion, the company also has a strong U.S. presence. Roughly 60% of the business is conducted south of the border.

If you're looking for some reassurance of why you might consider adding this company ahead of a recession, look at what the stock did during the great recession of 2007-2009.

From the May 2008 peak, the Canadian market dropped by roughly 50% by March of 2009. In that same time span, Fortis dropped just 20%. That's still not a great year by any standards, but in comparison to the entire market, it was a very strong showing.

A major reason why the utility company was able to fare so well during the great recession was its product offering. While Canadians may have been canceling a lot of subscriptions between 2007 and 2009, their heating and electricity bills were likely not at the top of that list.

With COVID19 likely to be the catalyst to drive us to the next recession, I don't see why consumers would be any more likely to stop paying their utility bills this time around.

Dividend yield

Another element for a great defensive stock to own is a dividend. It should be noted, though, that a company does have the right to cut its dividend at any time. Often this will come when investors are most dependent on it, such as during a recession.

The utility company does pay an attractive yield. It pays out an annual dividend of $1.91 per share, which is equivalent to a yield of just under 4% at today's stock price. With an investment of $25,000 made today, you'd be receiving a check of $250 per quarter from the dividend.

Foolish bottom line

Even with a drop year-to-date of more than 20%, no one can confidently say that the worst is behind us. If COVID19 propels us into an official recession, we will likely be seeing more than a 20% drop on our way to the market bottom.

As Foolish investors, we understand that this is a reality of the market. The question we face isn't how to avoid a market crash, but rather how to work through it.

A great place to start is owning a couple of strong defensive stocks in your portfolio. A company like Fortis can provide investors with much-needed dependability during a recession, balancing out many other stock picks that may be dramatically dropping in value.

CATEGORY

1. Investing

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1. bear market
2. market crash
3. recession

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