Coronavirus Market Crash: Grow TSX Dividend Positions the Safe Way

Description

Investors should go easy on trying to time the market. The coronavirus market crash is not over yet, as Friday's dip showed. A two-day rally does not add up to a recovery. As much as some people are looking forward to an Easter capitulation, the coronavirus isn't listening. And as encouraging as the 12% rallies have been, it still looks as though a recession could be imminent. So, how should investors prepare?

Some coronavirus market crash plays are safer than others

Dividends were already on the agenda, and investors should be building on this strategy. Indeed, there was plenty of uncertainty in the markets, even before the coronavirus market crash. Pundits were getting nervous about the length of the bull run. A bear market was coming, they predicted, and it was going to be a nasty one.

You can say that again. Even if the markets snapped back to normal next week, the damage for many companies has already been done. COVID-19 is working its way across the globe, as governments scramble to slow its progress. Like a storm front pushing a belt of rain, markets are darkening — in some cases, quite literally, with stock exchanges halting trades in a chaotic pattern of shutdowns.

Investors should therefore be buying defensive stocks in increments at the moment. These include great Canadian businesses like **Fortis**, **CN Rail**, **TD Bank**, **Barrick Gold** and **Newmont**. This strategy is relatively low risk, fits a passive-income strategy, and makes use of value opportunities. Instead of seeing a cheap stock and loading up, investors should buy small amounts.

Investors should then hold those names through rallies, like the ones the TSX enjoyed this week. Then, as the market dips again, more shares are bought in those same names. This method allows investors to build on positions at increasingly lower prices.

Slow and steady wins the race

Think of it as walking down a set of stairs. How many steps will there be until the coronavirus market crash is over? At the moment, it's dependent on two main factors: the coronavirus crisis itself and oil prices. If OPEC can agree to prop up oil prices, there is likely to be a fairly sustained energy rally. A breakthrough in finding a vaccine for COVID-19 will also see a sharp rally in the markets.

However, a full-blown recovery won't come until the economic damage from the coronavirus market crash is reversed. A recession is baked into the market at this stage. What investors should look out for is signs of a coming economic depression.

Defensive stocks to buy on increasing weakness are scattered across the whole gamut of the TSX. Banks, utilities, gold producers, apartment REITs, and food retailers are selling at tremendous discounts. Buying a mix of these top TSX stocks will help keep a portfolio safely diversified.

The bottom line

Recovery may be some way off, with a worsening economic outlook likely. Meanwhile, dividend investors of a contrarian bent have plenty of options. Owning a selection of top-tier defensive stocks is a tried-and-tested way to bolster a portfolio.

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