Market Crash: A Canadian Defensive Stock to Buy

Description

After falling into a bear market at the fastest rate ever, the S&P/TSX Composite Index has started to recover from this market crash and just recorded its quickest three-day advance in many decades.

At writing, the index has already recovered 20% from its lowest level this month. Whether this is a beginning of a new bull market or a temporary rebound from the massive market crash, nobody can possibly know for sure.

In this highly volatile and uncertain environment, long-term investors need to have a strategy in place to take advantage, as stock prices start to move higher. And one way to pursue that strategy is to buy stocks that offer shelter when people are sacred and there is too much uncertainty in the air. If you dig a little deeper, you will find there are many defensive stocks that have gotten caught up in this market crash.

Atop that list are the companies providing services that you can't afford to lose, such as power and gas, water, and your internet and telephone lines.

There is no doubt that the Canadian economy will take a hit from the deadly coronavirus, which is slowing economic activity globally and disrupting supply chains. But if you're a long-term investor, ready to ride through this period of volatility, you can buy good-quality stocks at attractive prices.

Stocks to outperform in this market crash

These solid dividend-paying stocks provide regular income and possess the ability to outperform the market over the long run. Many utilities, such as telecom companies, pay regularly growing dividends, allowing their investors to earn a bond-like income, even if the share prices don't appreciate much.

With low interest rates making bonds themselves less attractive, utility stocks have become more attractive. The Bank of Canada cut its key interest rate on Friday another half-percentage point to 0.25% — matching its all-time low — and took other steps toward quantitative easing in response the COVID-19 crisis.

Among telecom stocks in Canada, the nation's largest telecom operator, **BCE** (TSX:BCE)(NYSE:BCE) is my favourite pick in this market crash. The company's leading position in the industry means that it has more strength to sustain the weakness in the economy.

The company is spending billions of dollars to improve its network and get ready for the rollout of fifth-generation services. According to BCE, the 5G rollout will begin in urban centres across Canada, as new smartphones equipped with 5G technology enter the market later this year.

This year, BCE has also raised its dividend by approximately 5% as its profitability improves. For the fourth quarter, earnings grew more than 10% compared to a year ago.

The quarterly dividend, which was previously at $0.7925 per share, rose to $0.8325 per share after the hike. Overall, BCE's operating income rose 5% to $6.32 billion than the previous quarter, driven primarily by the company's wireless and media divisions.

Bottom line

Trading at $54.38 at writing, BCE stock is yielding 6% annually, a quite attractive return when compared to other fixed-income options. There is no guarantee, however, that BCE stock won't fall in this market correction, but there is a good possibility that it will perform better than the benchmark due to its defensive nature.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks

2. Investing

Date
2025/08/20
Date Created
2020/03/29
Author
hanwar