Coronavirus Numbers Could Get Much Worse: Here's How I'd Invest

Description

The coronavirus numbers could worsen over the coming months, as the number of COVID-19 infections in the U.S. continues its exponential climb. It's these numbers that could drive the stock market back to (and potentially below) the last Monday's low.

With that in mind, investors are going to want to pick their spots carefully and keep enough dry powder on the sidelines so they can continue buying stocks on the way down.

Infectious disease expert Dr. Anthony Fauci warned that "millions" of Americans could become infected with COVID-19 when all is said and done. If Fauci's projection is accurate, we may still be in the very early innings of the stock market's tumble. And the "bottom" put in last Monday may prove to be nothing more than another dead cat's bounce.

You should still swing at the picture-perfect pitches that Mr. Market throws your way, though. There are ample bargains in today's markets, and they should be bought by those with sufficient cash on the sidelines.

But as the coronavirus continues its exponential spread, investors need to realize that the stock market could continue to fall by default until a contingent good news event happens.

Nobody knows when such a good news event will happen, as breakthroughs in biology can happen (or not) at any time. As such, it's only prudent to be prepared for steeper discounts on stocks as we nibble away at some of today's deals.

Consider shares of defensive companies that can operate normally should the coronavirus pandemic continue taking its toll on the economy. We could be a year (or more) away from an effective vaccine, and the ensuing recession could linger for even longer. As such, investors should have a preference for high-quality defensive stocks that pay handsome, growing dividends.

A top stock to own as coronavirus numbers worsen

Consider shares of top-tier utility company **Emera** (TSX:EMA), which sports a 4.9% dividend yield at the time of writing. The stock has suffered minimal damage relative to the **TSX Index,** with the stock just off over 15% from its high. Should things go from bad to worse, Emera is likely to continue holding its own as stocks continue on the downtrend.

Sure, a 15% peak-to-trough drop may seem like a meagre discount relative to most other TSX-traded stocks that are down an average of 30%. But given the vast macro uncertainties at this juncture, I'd argue that it's better to have a fair discount on a name that's easier to value than a seemingly sizeable discount that may prove to be nothing more than an illusion given the looming recession.

Emera has been moving toward investing in core regulated operations over the years. As a result, earnings have become more predictable, making Emera stock a stellar place to invest in during times of great uncertainty.

Although the coronavirus crisis could impact Emera's growth prospects over the next year, I do see the utility as having a clear runway for growth over the long haul as it looks to finance new regulated projects in a rock-bottom interest rate environment.

Foolish takeaway

The coronavirus numbers could get worse before they get better. As such, it's only prudent to invest in names like Emera that don't depend on the coronavirus going away anytime soon.

The pandemic could last a lot longer than just a few months, and if that ends up being the case, investors should have a preference for defensive dividend stocks with strong balance sheets and robust operating cash flows.

Stay hungry. Stay Foolish.

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