
Brookfield Infrastructure (TSX:BIP.UN) Plunges 23% on Recession Fears

**Description**

Stocks are whip sawing wildly, as a mix of good and bad news sparks strong reactions from investors. Growing fears of a deep recession emerging and the coronavirus pandemic are weighing heavily on market sentiment. The world-leading **Dow Jones Industrial Average** has lost a startling 20% since the start of 2020. That dragged other indices lower, including the **S&P/TSX Composite**, which has recorded a similar loss.



Stocks have plunged sharply as a result. One which has been hit particularly hard is globally diversified infrastructure provider **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP). The partnership lost a whopping 23% over the last month, creating an opportunity to acquire a quality income-paying stock at a very attractive valuation.

## Fears of a recession

Fear of a deep global recession sparked by the coronavirus pandemic is weighing on Brookfield Infrastructure's stock. Governments across the world have implemented strict regulations controlling people's movement to slow the spread of the coronavirus. That has seen many close their borders, implement travel bans, and shutter non-essential businesses.

As a result, freight traffic is expected to fall sharply, impacting earnings from Brookfield Infrastructure's ports, railways, and toll roads assets. This is being magnified by a marked decline in manufacturing activity and hence the demand for commodities, notably coal, steel, copper, and other base metals.

Another blow for Brookfield Infrastructure was the failure of its bid for **Cincinnati Bell**. The North American telecommunications and data infrastructure company would have been an accretive acquisition. The failure of the deal will impact Brookfield Infrastructure's 2020 bottom line.

Nonetheless, Brookfield Infrastructure and its institutional partners earned an almost US$25 million break-fee, which will give revenue a healthy lift.

## Solid fundamentals

Despite fears of a deep global recession and other emerging headwinds, Brookfield Infrastructure is an ideal stock to own during bear markets. It possesses a wide economic moat that protects the business's earnings.

Brookfield Infrastructure's earnings are further protected by its globally diversified operations. It generates 31% of funds from operations (FFO) in North America, 27% in South America, 22% from the Asia Pacific, and the last 20% in Europe.

The partnership also operates in heavily regulated oligopolistic markets with steep barriers to entry. That has allowed Brookfield Infrastructure to act as a price marker rather than price taker, thereby securing favourable pricing and contractual conditions for its assets.

Brookfield Infrastructure also generates 95% of its earnings from regulated or contracted sources, further enhancing their security. The certainty of the partnership's earnings is further enhanced by significant counterparty diversification across a range of industries.

Those characteristics will protect Brookfield Infrastructure's bottom line from the looming recession.



For these reasons, the partnership is less volatile than many other stocks and the overall market. That is evident from its beta of just under one. Brookfield Infrastructure possesses solid defensive attributes, making it an ideal stock to own during a market downturn.

Brookfield Infrastructure rewards patient unitholders with a regularly growing distribution. It has hiked that payment for the last 12 years straight to see it yielding a juicy 5.8%.

## Foolish takeaway

Latest events, including fear of deep recession, are weighing on Brookfield Infrastructure's outlook.

Nonetheless, its globally diversified portfolio of assets, which are critical to economic activity, and strong defensive characteristics make Brookfield Infrastructure an ideal stock to own during economic downturns. That is enhanced by its sustainable distribution yielding 5.8%.

There is every indication that Brookfield Infrastructure will rally strongly once the coronavirus pandemic wanes, fears of a recession decline, and the global economy returns to growth.

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