TFSA Investors: How to Invest $6,000 in This Market Crash

Description

Last week, **TSX** stocks jumped after several weeks of losses, but remained in a bear market (20% off the top) by Wednesday evening. It's too early to say yet, but it's beginning to look like the worst of the COVID-19 market crash could be behind us.

As I wrote in a recent article, the effects of the Spanish Flu were priced-in early in that pandemic. By the worst month of the outbreak, the **Dow Jones Industrial Average** was up 35% from the bottom. While that's no guarantee that the same thing will happen this time, it offers hope for the recovery.

Nevertheless, it's still best to invest in non-cyclical assets that will carry you through the recession we're likely entering. Things are still looking bad for airlines, hotels, and cruise lines.

With that in mind, here are three suggestions for investing your money in this uncertain time.

Discount retail

Discount retailers like dollar stores are classic recession-resistant plays. Not only do they survive during recessions, but many of them even thrive. **Dollar Tree,** for example, rose 200% in the 2008/2009 financial crisis.

The most similar Canadian stock to Dollar Tree is **Dollarama Inc** (TSX:DOL). With an 18% share of the discount retail market, it's by far the most dominant dollar store in Canada.

Like most dollar stores, Dollarama is well positioned to thrive in a recession. As joblessness weighs on consumer spending, consumers look for cheaper alternatives to items they already buy.

Dollarama, with its nation-wide presence and low priced grocery items, will reap the benefits. As well, because it carries grocery items, Dollarama is an essential service that can remain open through COVID-19.

Utilities

Another category of asset that performs well in recessions is utility stocks. Utilities have ultra-stable revenue streams owing to the indispensable nature of their service. People can't get by without heat and light. So utility stocks tend to perform better than other stocks when consumers are feeling the pinch.

Case in point: **Fortis Inc** (TSX:FTS)(NYSE:FTS). In 2008 and 2009–the peak years of the global recession–the company actually grew its earnings. It also raised its dividend both years. In fact, the company has raised its dividend every single year for the past 46 years.

Over that period, there have been several recessions. It's testament to the stability of utility stocks in crashes that ravage other equities. Because of their stability, utility stocks like FTS are often considered bond alternatives with more upside. Speaking of bonds, there's still one more recession resistant investment we have to discuss.

Bond ETFs

If you're really worried about a renewed market crash, you can always consider bonds. Government bonds barely keep pace with inflation, but you can get some serious yield in corporate debt. Recently, we saw **Carnival Cruises** issuing bonds with 12.5% coupons.

You can't buy those directly, but you may get some exposure through a bond fund like the **BMO Mid-Term U.S. IG Corporate Bond Index ETF.** To be really safe, you could stick to corporate debt-rated Aaa/AAA, which still offers more yield than government bonds.

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2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)

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Date
2025/08/30
Date Created
2020/04/12
Author
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