



Don't Trust the Market Rally? Buy This Stock

Description

The market rally has been sending stocks higher, although many investors remain cautious. Jobless claims continue to skyrocket, while the global [oil](#) bear market looks like it's only just beginning.

How should you be investing? If you're willing to keep a long-term mindset, it's likely wise to keep your capital invested. But if the market surge loses steam, that capital could be [at risk](#).

If you don't trust the stock market rally but want to keep your money at work, strongly consider reliable utility stocks like **Hydro One Limited** ([TSX:H](#)).

Prepare with this stock

Never heard of Hydro One? That's not surprising. It essentially only operates in one Canadian province: Ontario. But being small comes with advantages. It has a near monopoly on its market, with government guarantees that telegraph how much it can make in any given year.

But what exactly does Hydro One do? And how can it help protect your capital after the market rally?

The company describes itself as "a large scale regulated electric utility." That's a fancy way of saying that it delivers electricity to businesses and individuals. Hydro One has transmission lines that cover 97% of Ontario, meaning it dominates its home market.

Due to its monopoly, government regulators set a cap on how much it can charge customers. These rates are set years in advance — but there's a twist. In addition to price *caps*, there are also price *floors*. This is a game-changer for investors seeking to reduce risk.

You're likely starting to understand how this company can make money in *any* environment, whether it be a market rally or a severe bear market. It has near complete visibility into its profits, often years in advance.

A utility company makes money through two factors: electricity demand and electricity pricing. As

mentioned, pricing is guaranteed to be within a certain range due to regulations. Power demand, meanwhile, is remarkably stable from year to year. During previous recessions, total demand only dipped by a few percent. In some cases, it didn't decrease at all.

Don't trust the market rally

The coronavirus pandemic and oil rout likely have more pain to inflict on the global economy. Despite claims of reopening, most regions won't see a complete return to baseline for months, or even years. The financial impacts for everyday consumers will be felt for another decade.

If you're worried about your portfolio, there's only one way to invest: don't trust the market rally.

But that doesn't mean pulling your money from the market. As we've seen, you can still generate positive returns with stocks like Hydro One *without* losing sleep at night.

Over the next several years, Hydro One anticipates growing EPS by 4% to 7% per year. The dividend, which now yields 3.8%, is expected to increase by roughly 5% every year.

These aren't spectacular returns, but if the market rally loses steam, and stocks head lower, you'll be ecstatic to generate positive returns while other investors are losing their shirts.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date

2025/08/25

Date Created

2020/05/06

Author

rvanzo

default watermark

default watermark