



Market Crash 2020: These 2 Stocks Are Immune

Description

Is the market crash of 2020 over? Given the state of the economy and the growing threat of a second wave of this awful pandemic, it seems stocks haven't yet priced in reality. I wouldn't be surprised if there was [another major stock market crash](#) ahead of us.

However, even if there is another sell-off — and even if it's worse than the previous one — certain sectors of the economy could be relatively insulated from the fallout. Essential businesses and service providers can retain their value even in the worst-case scenario.

I would encourage every investor to add some of these “safe stocks” to their portfolio to mitigate the impact.

Here are the top two stocks I believe will sail through the next market crash.

Market crash essentials

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) stock is currently trading at the same price as it was in early-January. Meanwhile, the **S&P/TSX Composite Index** is down 11.4% over the same period. In other words, Fortis' value remained rock-solid despite the ongoing chaos in the rest of the market.

The company reported [excellent numbers for the first quarter](#), demonstrating how essential utilities are. In fact, residential energy use may have surged since everyone is confined to their homes now. Fortis' cash flows are probably the most predictable and reliable on the market.

Meanwhile, the management team has been conservative with its cash. The dividend payout ratio is less than half of annual earnings, giving the firm plenty of room to sustain the 3.5% dividend yield even if earnings decline or need to be diverted to debt repayments.

In other words, Fortis has helped investors preserve wealth despite a historic market crash. There's no reason to doubt that it could do so again.

Work-from-home essentials

For a substantial portion of the labor force, working-from-home is the new reality. In fact, considering the amount of money companies are saving on commercial rent and the convenience of working remotely, this arrangement could survive even after the pandemic.

However, a remote workforce is more vulnerable to cyber attacks. Residential broadband and consumer laptops simply lack the enterprise-grade security features every company needs. Corporations could be compelled to invest more in cybersecurity tools, such as those offered by **Absolute Software** (TSX:ABT).

Absolute's stock price has *appreciated this year by over 36.8%*. The company is at the forefront of a sector that is remarkably lucrative and thoroughly underappreciated by investors.

The company reported higher-than-expected earnings today. It generated \$13.4 million in operating cash flow on \$77.5 million in total revenue over the past year — a sizable margin that seems to be expanding as the company acquires and retains more enterprise customers.

The stock is up 6.7% as I write this. Long-term investors should probably take a closer look at this long-term growth story that seems immune to market crashes.

Bottom line

The Canadian stock market doesn't seem to have fully priced-in the devastating impact of the COVID-19 pandemic. There could be another market crash on the horizon. However, essential utilities and cybersecurity stocks could serve as a safe haven for investors.

Consider adding Absolute Software and Fortis to your all-weather watch list for 2020.

CATEGORY

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2. TSX:ABST (Absolute Software)
3. TSX:FTS (Fortis Inc.)

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