Stock Market Crash 2.0: How to Prepare Your Stock Portfolio

Description

The recent market rally might have put the stock market crash at the back of investors' minds.

On closer examination, the **TSX** stock market crash earlier this year saw the **TSX index** trading about a third lower. Right now the market has only bounced back 27%, which is not even close to the previous high.

Although the businesses in parts of Canada, like British Columbia and Alberta are progressively re-opening, we're not exactly out of the woods.

Quebec is the worst-hit province with about 44,784 confirmed cases and 3,719 deaths, followed by Ontario's 25,192 confirmed cases and 2,079 deaths.

Canada has controlled the COVID-19 crisis quite well. It has about 81,549 confirmed cases, which is less than 0.22% of its population. In comparison, the United States has more than 1.5 million confirmed cases, which is nearly 0.47% of its population.

Keep in mind that confirmed cases can be 10 times or more in reality because not everyone is tested and every case traced!

Because the United States is Canada's biggest trading partner, its weakened economy from the spread of COVID-19 will directly impact Canada's economic health, which is already not doing well because of low energy prices and closed businesses in the last couple of months.

A well-built stock portfolio can withstand economic downturns and do well afterward. Here are three ways you can prepare your stock portfolio for another stock market crash.

Invest in blue-chip dividend stocks

Fortis (TSX:FTS)(NYSE:FTS) is one defensive dividend stock that will have minimal impact from COVID-19 and future economic downturns.

The utility is diversified with regulated electric, gas, and electric transmission operations, as well as long-term contracted hydro generation and a natural gas storage facility. Additionally, it generates about 65% of its earnings from the U.S.

Fortis is a buy-and-hold dividend stock that you can count on increasing your income every year. Its dividend track record is one of the best in Canada. It has increased its dividend for 46 consecutive years and aims to increase the dividend payout at a compound annual growth rate of roughly 6% through 2024.

In other words, COVID-19 will not affect Fortis's five-year capital program. Currently, the utility estimates 18% of its revenues will be impacted during the virus crisis.

For example, businesses are either closed or running at lower capacities but are offset by higher power/energy usage from more people working from home.

At about $51 per share, Fortis stock is fairly valued and offers a safe dividend yield of roughly 3.7%.

Invest in areas that are doing well

Some industries and sectors are set up to do well with or without COVID-19. Particularly, during this economic downturn, many technology and healthcare stocks are doing very well.

There are many more choices for quality tech and healthcare stocks in the U.S. that are well valued. So, do not restrict yourself to only TSX stocks despite a strong U.S. dollar. Here are some interesting stocks that are still decently valued. Check out **Open Text**, **Facebook**, and **UnitedHealth Group**.

Add some gold stocks as a hedge

If you like, allocate a percentage, say, 5% of your portfolio to gold stocks as a hedge.

As global governments print tonnes of money, there's a devaluation of currencies worldwide. That's why gold prices and many gold stocks have been zooming higher.

Some solid gold stocks you can do more research on are **Newmont** and **Franco-Nevada**.

The Foolish takeaway

Don't be complacent from the recent market rally. Global recessions can lead to another market crash this year or early next year. If anything is for sure, the market crash we experienced earlier this year won't be the last.

To prepare your stock portfolio for future market crashes, consider a focus on blue-chip dividend stocks like Fortis and solid tech and healthcare stocks. If you're bullish on gold, also throw in some solid gold stocks!

If you’ve already done something similar to the above, consider having an above-average level of cash on hand to take advantage of the next market crash.

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kayng