



This Is the Safest Stock to Buy Right Now

Description

The coronavirus pandemic has rattled markets. Stocks have rallied in recent weeks, but many analysts anticipate more pain. At the minimum, we should see continued volatility through the rest of 2020. Now is the time to reduce your portfolio's risk. **Hydro One Ltd** ([TSX:H](#)) is likely the safest stock you can buy.

Hydro One has a business model specifically built to withstand economic shocks. Even a severe recession won't diminish its financial success.

But buying safe stocks doesn't mean you have to forfeit upside potential. Hydro One operates an incredibly stable business, yet over the next few years, it could see a rapid increase in demand for its services.

These are terrific assets

Hydro One owns transmission and distribution (T&D) assets. These are the transformers and power lines you see lining streets throughout the world. Hydro One's assets are located in Ontario, where its infrastructure covers 98% of the province.

What makes T&D assets so lucrative? It's a classic middleman business.

Other companies operate generation assets, commonly known as power plants. Whether through coal or hydro, these producers need to get their electricity to customers like businesses or residential buildings. The only way to do that is through Hydro One's T&D infrastructure, giving it a [monopoly](#) on Ontario's energy market, granting it extreme power.

In exchange for its monopoly status, Hydro One accepts heavy regulation. While that may sound damaging, it's actually what makes it one of the safest stocks on the market.

Roughly 99% of Hydro One's business is considered rate-regulated. That means government regulators set pricing *caps* on how much the business can charge. This limits upside, but it's a fair trade as there are also pricing *floors*, guaranteeing a certain profit margin no matter where the

economy goes. This is the company's secret sauce.

Electricity demand is incredibly stable from year to year, even during a recession, ensuring reliable volumes for Hydro One. Due to regulations, Hydro One also has visibility into pricing, the other side of the equation. Rates are usually set years in advance, adding to the company's reputation as a safe stock.

Load up on safe stocks

Millions of Canadians are now out of [work](#). While reopening efforts are beginning, scientists worry about a surge in new cases. Next winter, there's concern over a second wave of the virus. If that coincides with the usual flu season, the results could be even worse than the first wave.

Now is the time to load up on safe stocks like Hydro One. Even if the pandemic lasts for years, this company is likely still a good bet.

We're now experiencing a rapid electrification of our economy. Wind and solar assets are being built across the continent. The advent of electric vehicles will add another multi-decade demand driver for electricity. That's a huge boon for Hydro One, the only company capable of delivering that power in Ontario.

The time to protect your portfolio is *now*. With Hydro One, you can own one of the safest stocks on the market without sacrificing long-term upside.

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