Summer Market Crash? Here’s How to Recession-Proof Your Portfolio

Description

North American markets have been shaky in June. The **S&P/TSX Composite Index** has avoided a sharp retreat, but recent data has troubled investors. Workers in Canada and the United States have suffered due to the pandemic. Canada’s unemployment rate stood at 13.7% in its most recent jobs report, the highest rate since the early 1980s. Meanwhile, the U.S. has recorded over 40 million job losses. This has investors concerned about a second market crash in 2020.

Should you be worried about a summer market crash?

High unemployment and a reeling economy are reason enough to be concerned in the present day. That coupled with ballooning stock valuations, has many investors thinking a market crash. The COVID-19 pandemic is not the only source of instability. Both the U.S. and Canada are experiencing social unrest and large protests calling for police reform. Meanwhile, on the geopolitical front, tensions are rising in Asia. China and India, two rising great powers, have been locked in skirmishes on the border.

These developments are troubling, and we should all hope for things to improve on the global stage. However, it never hurts to be prepared. Today, I want to look at how investors can protect themselves from a second market crash this year.

Look to secure your portfolio

Fortunately, we do not need to look that far back to see how defensive stocks have fared in a turbulent environment. Companies that were designated as essential services in this pandemic provided stability for investors. These are still worth targeting if you are worried about another market crash.

Loblaw Companies is the largest grocery and pharmaceutical retailer in Canada. Its shares have dropped 1.1% in 2020 as of close on June 17. The stock has been in retreat as the rest of the TSX has gained momentum. However, investors may jump right back into defensive stocks like Loblaw in the second half of 2020.

Shares of Loblaw last possessed a price-to-earnings (P/E) ratio of 21 and a price-to-book (P/B) value of 2.1. This is solid value relative to industry peers.

Nearly two years ago, I'd discussed why **Dollarama** (TSX:DOL) was one of the top recession-proof stocks on the TSX. Dollar store chains have enjoyed a renaissance after the 2007-2008 crisis. These low-cost retailers have diversified their consumer base and undergone a massive expansion across North America. Shares of Dollarama have climbed 22% over the past three months.

In its first-quarter fiscal 2021 results, Dollarama reported sales growth of 2%. This retailer provided crucial services to Canadian shoppers in this crisis. Almost 1,200 stores remained open in the quarter across Canada. Because of the chaotic economic situation, Dollarama provided no full-year guidance for fiscal 2021.

Dollarama stock last had a P/E ratio of 26. This puts the stock in favourable value territory relative to industry peers in retail.

Market crash: Don't sleep on utility stocks

The media has put a lot of focus on healthcare and retail workers in this crisis. However, we should not forget the contribution from those working at Canadian utilities. **Hydro One** is an Ontario-based utility. Shares of Hydro One have climbed 16% year over year as of close on June 17. Utility stocks have been resilient in previous market crashes. A low interest rate environment will continue to power interest from income investors going forward.

Hydro One stock last possessed a favourable P/E ratio of 18 and a P/B value of 1.6. It offers a quarterly dividend of $0.2415 per share, representing a 3.9% yield.

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Date
2025/08/23
Date Created
2020/06/21
Author
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