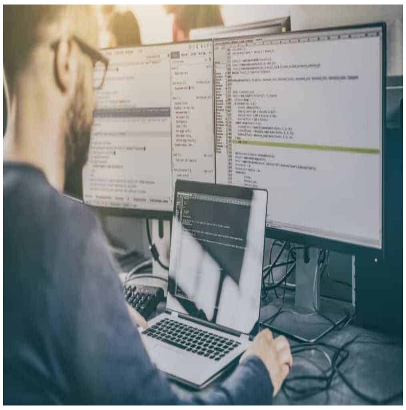

Waiting for the Next Market Crash? Keep an Eye on These 2 Stocks

Description

It doesn't take much to change investors' sentiment these days. A flurry of negative news on the coronavirus front during the past one week is making investors nervous and raising the risk of another market crash.

New COVID-19 cases are surging in the U.S., creating hurdles for reopening the world's largest economy and the biggest trading partner of Canada. On the economic front, there are signs that more pain is ahead.

An additional 1.48 million Americans filed for unemployment benefits last week. The number was higher than what economists were expecting. This marks the second straight week that U.S. jobless claims data was worse than expected.

If this situation persists, it will increase the chances of another market crash, vindicating those analysts who believe that stocks have risen too much, too fast in the current market rebound. In this highly volatile and uncertain environment, long-term investors need to have a strategy in place to take advantage if stock prices start to plunge again.

One way to pursue that strategy is to buy stocks that offer shelter when people are scared. Atop that list are the companies providing services that you can't afford to lose, such as power and gas, water, and logistics providers.

Here are my two favourite picks to buy when their values become more attractive in the next market crash.

CN Rail

Canada's largest railroad company, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is a good candidate for any buy-on-the-dip strategy.

After plunging to the lowest level this year on March 16, CN Rail stock has made a quick recovery. Trading at $116.47, this stock is now close to the 52-week high.

What makes CNR attractive is that this railroad operator enjoys a unique competitive advantage in the North American economy.

CNR runs a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico. This wide economic moat makes CNR a stock that has the power to defend its business, while continuing to pursue growth.

That said, there could be potential weakness in store for stocks tied to the economy, as the spread of the COVID-19 continues to hurt growth globally.

If the next market crash comes, it should be taken as a buying opportunity. Over the past 10 years, CNR stock has delivered more than 300% growth, including dividends, to long-term investors. Currently, CN Rail is yielding about 2% with a price-to-earnings multiple of 18.86.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another defensive stock on my radar. The St. John's-based power and gas utility has diversified assets, highly regulated earnings, and a $18.8 billion capital plan that faces minimal risk in a prolonged economic recession.

Fortis provides electricity and gas to 3.2 million customers in the U.S., Canada, and in Caribbean countries. Its U.S. operations account for about 60% of its regulated earnings, while the rest comes from its Canadian and Caribbean operations.

After plunging more than 25% during the March market crash, Fortis stock has recovered strongly. But if it falls 10-15%, it will become attractive again for long-term investors who like the company's defensive nature and its steadily growing dividend.

What supports stability in Fortis's cash flows is that no matter what happens to the economy, we have to pay our gas bills. These recurring cash flows allow Fortis to keep hiking its payout regularly.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing

Date
2025/08/27
Date Created
2020/06/25
Author
hanwar