A Dividend Stock Immune to the Coronavirus

Description

The COVID-19 pandemic has arguably made the stock market the most volatile it's ever been.

To the surprise of many, Warren Buffett mostly sat on his hands amid the coronavirus crash, missing out on one of the most explosive rallies in recent memory. This coronavirus crisis is unprecedented, as too was the April-June rally that caught most bears with their pants down. While it's too early to tell whether Buffett was right to hold off on backing up the truck on stocks while offloading his airline shares, investors would be wise to heed the Oracle's implicit warnings amid surging levels of market volatility.

Buffett noted that the range of possibilities with this pandemic is wide. As a result, the lines between investment and speculation have been blurred with many stocks. And while many retail investors may be comfortable with speculative bets on some of the hardest-hit names out there, I'd encourage prudent investors to consider the shares of businesses that remain sound investments and not speculative bets that depend on a timely eradication of the coronavirus.

Consider **Emera** (TSX:EMA), a highly resilient business that has allowed investors to obtain above-average returns over prolonged periods of time while providing dampened downside during times of economic hardship.

While the name is going to make you filthy rich overnight on news of a vaccine breakthrough, it will allow you to obtain excess risk-adjusted returns over the long term, which is all an investor could ask for in these times of considerable uncertainty.

Emera is a stellar bond proxy to weather the coronavirus-plagued market

Emera is a high-quality Canadian utility that's been gravitating towards more regulated operations over the years. A higher degree of regulation means that Emera's asset mix, on average, will stand to be less volatile and more predictable, making the business itself more valuable to investors who value certainty in a time where the uncertainties couldn't be greater.

A higher degree of regulation means fewer surprises. Fewer surprises mean Emera will be able to command a higher valuation multiple due to bond-proxy-like characteristics. While Emera stock will feel the pressure should the broader markets pull back viciously, EMA shares will stand to experience dampened downside and will likely be much quicker to recover, as the utility, which is becoming more regulated over time, depends less on how the broader economy is doing at any given instance.

Today, EMA stock sports a solid 4.6% dividend yield and will allow investors to achieve TSX-beating results over extremely long periods of time.

Foolish takeaway

With a ridiculously low 0.24 five-year beta, the stock is more likely to zig when the markets zag, making the name one of the best ways to help your portfolio combat record levels of volatility that are likely to persist for the duration of the coronavirus pandemic.

At 1.5 times book, the price of admission into the resilient play is low right now, so now's a great time to load up on the name if you'd rather invest in a modestly discounted stock that can hold its own rather than speculating on a "high-upside" stock that could lead the next downward charge.

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Author
joefrenette