



2 Bear Market Stocks to Buy Right Now

Description

There's another bear market on the way — or at least that's what many analysts [think](#).

"A vast majority of investors believe stock markets around the world are overvalued," the *Financial Times* recently reported. "Nearly 80% of fund managers shepherding a combined \$600 billion of assets think that stocks are too expensive, the highest share in records going back to 1998."

At the minimum, we're investing in very uncertain times. The stock market trades in the top 10% of its historical valuation range, yet the economy is certainly in the bottom 10%. That's quite a mismatch. In many ways, stocks are priced for perfection.

"Everything is uncertain, perhaps to a unique degree," says Jeremy Grantham, head of GMO Asset Management.

While no one can predict the future, you can take action *now* to protect your portfolio. The best news is that you don't have to sacrifice long-term growth to limit your portfolio downside.

Before another bear market [hits](#), make sure you own stocks like the ones below.

The ultimate protection

Hydro One Limited ([TSX:H](#)) always tops my buy list for recession-proof stocks. This company will easily outperform the market in any economic downturn. The stability is literally built into its business model.

Hydro One is a rate-regulated utility stock, which means it delivers electricity to customers, and the rates that it can charge are set by regulators. That limits upside, but it dramatically reduces downside.

Electricity demand in Ontario, in which Hydro One has a 98% market share, is very stable. During the 2008 bear market, for example, demand slipped by just a few percentage points. This ensures stable electricity volumes for Hydro One.

And as pricing is nearly guaranteed by regulators, the company knows *years* in advance how much money it will make. This combination allows the stock to pay a rock-solid 4% dividend that won't go away, even during a severe economic shock.

The dividend plus 5% annual rate base growth should provide close to double-digit returns for shareholders. That's nothing crazy, but it'll be a coup when markets tank.

Bear market favourite

Kirkland Lake Gold Ltd. (TSX:KL)(NYSE:KL) is another company that could *rise* in value during the next downturn. It's by far my favourite gold stock.

Gold prices are reliable safe havens during a storm. Throughout the COVID-19 crash, for example, gold prices rose sharply.

Gold mining stocks are another beast. When times are good, many gold stocks over-inflate, developing high-cost mines that weren't profitable before. When a bear market hits, these projects can produce sizable losses.

Kirkland avoids this dilemma by focusing solely on low cost mines. It takes discipline to do so, and Kirkland is a rare example of prudence. Last year, its all-in production costs were just US\$530 per ounce, giving the business a ton of breathing room with gold trading at US\$1,700 per ounce.

Whether there's a bear market for stocks overall or a downturn in gold prices, Kirkland can maintain profitability, delivering positive returns for shareholders in nearly any environment. Diversify your portfolio with reliable stocks like this.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing
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1. TSX:H (Hydro One Limited)

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