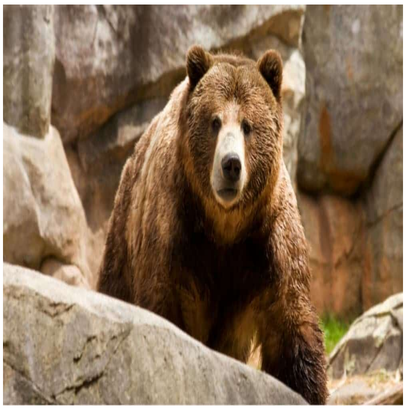

# Buy These 2 Stocks Before the Bear Market Hits

### Description

The coronavirus crash was difficult, but the resulting rebound brought quick relief. Unfortunately, another bear market is on the way. Now is the time to review your stock investments for outsized risk.

"My confidence is rising quite rapidly that this is the fourth 'Real McCoys' bubble of my investment career," Jeremy Grantham, co-founder of GMO Asset Management told *CNBC*.

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That's a telling prediction given Grantham is known as one of the greatest minds in history when it comes to identifying market bubbles. He previously identified the irrational exuberance in Japan in 1989, the tech bubble in 2000, and the housing collapse of 2008.

If you own stocks, now is the time to prepare for the next bear market. You don't have to move your portfolio to cash or give up long-term upside. Instead, identify your biggest areas of risk, substituting these investments for low-risk business models like the two stock picks below.

## Want stability?

**Canadian Utilities** (TSX:CU) is the definition of stability. The stock is a favourite with dividend investors, as it delivers a fully backed 5% yield. But the most impressive aspect of that payout is that it's experienced 48 years of consecutive increases. That's the longest stretch in Canadian history!

For more than 50 years, Canadian Utilities has maintained and raised its dividend annually. That includes some of the harshest bear markets in history. What's the secret?

Standard & Poor's had this to say about the its parent company when it assigned it an investment grade credit rating: "The majority of cash flow is backed by stable regulated utility operations." There's the secret in a single sentence. But what exactly does that mean?

As a utility stock, Canadian Utilities delivers power to its customers. Importantly, 95% of its earningsare deemed rate regulated. Regulators dictate how much it can charge customers. That limits upside ina bull market, but significantly mitigates downside in a bear market.

Electricity demand is quite stable year to year, even during a recession. As long as pricing holds, Canadian Utilities can generate stable levels of cash flow. With regulators setting prices *years* in advance, the business has near-perfect visibility into the future.

If you want stability during any market, this stock should top your buy list.

## Beat the bear market

**Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) is another utility stock, with an added level of growth. Over the past decade, shares have risen *five times* in value.

The secret here is that it blends rate-regulated utilities with higher-upside projects.

Roughly two-thirds of Algonquin's business is rate regulated like Canadian Utilities. This provides a large amount of downside protection and reliable cash flow. The company reinvests that cash into its rapid-growth renewables business. These contracts are riskier but still span at least a decade in length, mitigating some of that extra risk.

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In total, you get most of the stability that Canadian Utilities provides but also direct exposure to a business that can grow quickly should the economy remain strong.

The time to prepare your portfolio is *now*. Build your bear market buy list today.

**CATEGORY**

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

**TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:CU (Canadian Utilities Limited)

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1. Business Insider
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