Warning: The Market Can Crash 30-40% Again: 2 Top Stocks to Buy

Description

In an interview recorded in May, Gary Shilling noted that he believed the U.S. stock market can crash 30-40% again. Since the Canadian stock market closely follows the U.S. market, the Canadian market can also fall 30-40%.

It can happen in a flash. As the March market crash illustrated, from peak to trough, the Canadian stock market declined by more than 33% in about a month!

A V-shaped economic recovery entails that the COVID-19 pandemic would be under control, perhaps by the success of effective vaccines that could be widely distributed.

However, Shilling believes there won't be a quick V-shaped recovery as optimists think. Instead, he thinks an L-shaped recovery going into 2021 is more probable.

Expect huge write-offs in the near term, particularly for industries like hospitality and tourism. The stock market has largely regained lost grounds with the **TSX** index trading at just 8% below its all-time high.

However, if Q3 or Q4 numbers don't show much improvement, suggesting a longer and deeper recession, the stock market will be in for another serious beating.

With that backdrop in mind, here are two types of stocks that should be at the top of your buy list.

Safe dividend stocks

When it comes to safe dividend stocks, there are different facets of safety. First, the business must be safe, including having a manageable balance sheet and largely predictable profits.

Second, overpaying for the stock will be a danger for investors' wealth, because at worst, it can translate to negative returns for years. Third, the dividend must be sustainable. The first two points apply to stocks that don't pay dividends as well.

TC Energy (TSX:TRP)(NYSE:TRP) is a prime example of a safe dividend stock. In Q1, its comparable earnings per share climbed 10% year over year to $1.18. Its payout ratio of about 69% for the quarter was a marginal improvement from 70% a year ago. It's comparable EBITDA increased stably by 6% to $2.5 billion.

Over the years, the blue-chip company has assembled a unique portfolio of natural gas and liquids pipeline systems that are complemented by power assets.

As energy demand treads higher over time, TC Energy should be able to continue its track record. TC Energy has raised dividends for 19 consecutive years. The growth rate was 7% per year for 10 years. Additionally, it's boosting its dividend by at least 8% next year and roughly 6% thereafter.

Currently, the undervalued stock yields 5.4% and has about 19% upside over the next 12 months according to analysts' average target. TC Energy checks all three boxes of a safe dividend stock. It's set to deliver market-beating returns while paying a big dividend.

Stocks not disrupted by COVID-19

Believe it or not, some businesses are essentially unaffected by the COVID-19 pandemic!

For instance, as an information management leader, **OpenText** (TSX:OTEX)(NASDAQ:OTEX) has built a business model that's resilient through recessions. There's an exponential growth of information that all the more needs to be managed well and OpenText provides the tools to do it.

OpenText's profits are stable with support from 81% of annual recurring revenue, which totaled US$2.3 billion in the trailing 12 months. The tech firm's sales are poised to grow as it has very high customer satisfaction of 95% and renewal rates of more than 90% for its products and services.

OpenText further has added investor confidence by providing a growing dividend for seven years and counting. Its five-year dividend growth rate of 15% per year is among the best on the TSX!

Consequently, OpenText is a proven name that offers a growing dividend and above-average growth via acquisitions and organic growth. Its yield of 1.6% is protected by a sustainable payout ratio that's about 25% of operating cash flow.

The Foolish takeaway

The stock market may be down for another shakeup. Consider investing for secure returns through safe dividend stocks like TC Energy and OpenText on dips.

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