



Stock Market Crash 2020: How to Double Your Money in 5 Years!

Description

Another stock market crash or correction is likely for 2020. A stream of concerning news and new risks are challenging stock markets, and I believe investors need to be cautious right now.

Is there more steam in the recovery?

Markets have enjoyed an incredible recovery since the initial March stock market crash. Yet, globally COVID-19 cases are spiking, there is increasing tension between China and the U.S., and global economies lay stagnant in the middle. As a consequence, [market valuations appear stretched](#) (particularly in some technology names) and stock markets could lose some steam soon. As a result, investors should take a critical approach to investing at this point.

Do valuations align with fundamentals?

Firstly, I think we have passed the point where “everything” just goes up. More than ever, investors need to scrutinize the stocks they own and ensure valuations are aligned with balance sheets, growth prospects, and earnings potential.

If you have some major winners (like **Shopify**, **Real Matters**, or **Docebo**), it might be prudent to sell off a portion of your big gains and hold a little extra cash for the next stock market crash.

Perhaps your portfolio has a significant weighting in one of these stocks. If you are concerned about a market crash, manage volatility (and preserve wealth) by keeping a well-balanced stock portfolio with exposure to different assets and sectors.

Prepare for a second stock market crash with a barbell strategy

Second, adopt a barbell investing approach. Have some allocation to cyclical and value stocks that could benefit from a recovery out of the COVID-19. I like **Aritzia**, **TD Bank**, **Canadian Pacific Railway**

, and **Brookfield Business Partners** for this.

In the middle, allocate some quality safety stocks that pay solid dividends and are not dominated by market volatility. I like **Granite REIT** and **Telus** for solid ~4% dividends and some steady dividend growth.

On the other hand, it's a good idea to own some stocks that are actually enjoying a boost from the pandemic crisis. **Viemed Healthcare**, **Goodfood Markets**, and **Enghouse Systems** are some stocks that are enjoying a major operational boost from the pandemic.

This stock is safety and growth

However, if you are concerned about another stock market crash and want to own safety and major growth in one, then **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) is a great stock. While it has underperformed since March, I believe it is presenting a great long-term buying opportunity.

Algonquin derives 65% of its revenues from utilities (electric, water, and natural gas) in the U.S. and 35% from a diverse, 2.2 GW renewable power business. During a pandemic crisis (and stock market volatility), I want exposure to cash flows that are consistent, safe, and essential.

There is nothing more essential than electricity, water, and natural gas services. Consequently, Algonquin pays an attractive 4.7% dividend covered by a payout ratio of only 41% of adjusted fund flows.

While the dividend has grown by a compound annual growth rate (CAGR) of 10% for the past 10 years, I am even more attracted to Algonquin's growth prospects. It has a five-year, \$9.2 billion capital plan, of which 70% will be invested into its essential utilities.

Algonquin expects to earn an adjusted EBITDA CAGR of 15% for the next five years. It projects to double its adjusted EBITDA by 2024! [It recently issued \\$983 million of equity](#) and shares are attractively priced. Historically, it has seen strong price momentum after equity issuance.

Buy this stock now or when the market crashes again

In a recession, Algonquin could profit from opportunities to consolidate smaller, less capitalized U.S. utilities. Similarly, a Biden presidency could certainly boost opportunities for faster expansion in its renewable power division.

While I think the market gets the income aspect of this stock, it does not appreciate its growth potential. It could reasonably double your investment in five years. In my opinion, that makes it a buy now and definitely a buy if the stock market crashes again in 2020.

CATEGORY

1. Coronavirus
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2. TSX:AQN (Algonquin Power & Utilities Corp.)

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