Buy Alert: This Top Defensive Stock Is on Sale

Description

There has been a lot of uncertainty in financial markets since the start of the coronavirus pandemic. Investors first rushed to buy defensive stocks after the market crashed, anticipating a likely recession.

That recession is slowly starting to hit the economy, but in the meantime, stock markets have shifted — looking past the short-term impacts towards a rapid recovery.

The only problem is, there's no guarantee we get a rapid recovery. In fact, one could argue the sooner you try and reopen, the more you could expose yourself to the pandemic and another major economic shutdown. This is precisely what we are seeing across parts of the United States right now.

The market isn't rallying as much as it was a few months ago, but it has yet to crash. However, with earnings season heating up and many companies reporting some of their biggest impacts from the virus this quarter, there's a strong possibility we could see another major selloff again soon.

Buy defensive stocks

When markets rally with this much momentum, it's easy to get caught up in the euphoria and look to buy highly speculative growth stocks. However, it's crucial investors remain mindful of the underlying economic conditions to not expose themselves in a sudden bear market.

In my view, the only stocks conservative investors should be buying right now are gold miners or defensive stocks.

It's paramount to own high-quality defensive businesses that will see only minimal impacts through the pandemic.

Some of my favourite defensive stocks to buy are utilities. This is due to the regulated nature of their revenue, and the inelastic demand for their services.

The top defensive stock to buy today

A lot of the best defensive stocks have been bid up considerably. This is not surprising, as savvy investors prepare their portfolios for an inevitable recession.

One stock that's still worth a buy for investors, however, is **Algonquin Power and Utilities** (TSX:AQN)(NYSE:AQN).

Algonquin recently raised money at a valuation of around $17 a share. This has temporarily driven the stock price down for investors and is offering a perfect entry point.

The cash raised was part of a massive five-year capital plan that was announced before the coronavirus pandemic. This is important, because it shows Algonquin is continuing ahead with its growth projects almost completely unimpacted.

The company is the ideal company to buy in today's environment. Roughly two-thirds of its business comes from its utilities. The other third of its business is in renewable energy generation, one of the best long-term growth industries.

This is significant, because it offers investors a defensive business with highly stable earnings, as well as the perfect long-term growth stock.

Also, the stock offers an attractive dividend that yields roughly 4.75% today. Plus, investors can expect growth out of that dividend, too. Currently, Algonquin has a 10% annual dividend growth target through 2021.

As of Monday's close, the stock was trading just under $18. That's roughly 20% off its 52-week high and a great entry point for investors.

Bottom line

At a time when uncertainty continues to be extremely high in financial markets, investors can be certain that a long-term investment in Algonquin will protect as well as grow your capital.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/27
Date Created
2020/07/28
Author
danieldacosta