RISK ALERT: Buy These Stocks to Beat the Market This Fall

Description

This fall could be extremely frothy for Canadian investors. TSX stockholders will find themselves having to contend with a market caught in the crossfire between a U.S. election, ongoing vaccine uncertainty, and dire economic revelations.

Now, throw in international tensions, uneven earnings reports, and growing industrial bearishness. If the markets manage to escape a major correction by December, it will be a Christmas miracle.

Fractured politics and treacherous economics

Some names — indeed, some sectors — may not take kindly to a potential Democrat win this fall. Consider the possibility of higher corporate taxes for names such as **Amazon**, **Intel**, and **Berkshire Hathaway**. Investors expecting Joe Biden to win may want to trim such names from their portfolios ahead of time. Corresponding TSX names might also belong on the same hit list, albeit indirectly, with stocks like **Shopify** apt to wander across the target range.

Indeed, Shopify is looking like a good name to trim, at least by the end of the pandemic. Why? Consider this week's Q2 report. In it, Tobi Lütke, Shopify's CEO, stated: "With the rapid shift to online commerce, massive disruption to conventional employment, and growing conviction that opportunity needs to be more evenly distributed, entrepreneurship has never been more important."

There's not much to argue with there. But hopefully the majority of regrettable pandemic developments are reversible. By extension, a return to normalcy after the pandemic would therefore also see the reversal of some of Shopify's gains. At the end of the day, Shopify stock is playing chicken with a vaccine. Just look at how Shopify responded to **Moderna's** extremely encouraging vaccine news recently, ditching 10% on the possible breakthrough.

Get ready to buy defensive stocks

All of this means that investors should be thinking defensively at this time. The potential for a market correction is brewing in a number of quarters. Not least of the stressors amassing right now is the looming U.S. election. Regardless of one's politics, a Joe Biden win has the potential to further disrupt North American stock markets. This is why TSX investors should only be building positions in the most stubbornly defensive dividend stocks right now.

To see which blue-chip TSX names could outperform, investors may want to take a quick look back over the last few months on the markets. Gold, consumer staples, and certain diversified utilities performed well during the worst of the economic headwinds. Gold miners like **Newmont** stand out in particular, with names such as **Alimentation Couche-Tard** and **Fortis** also doing double duty as not only solid income choices but also top defence picks.

By adding a mix of defensive stocks such as Newmont, Alimentation Couche-Tard, and Fortis pandemic investors can boost a portfolio's immune system. These stocks offer dividend yields of 1.4%, 0.6%, and 3.5%, respectively. While these yields are mostly on the small side, they all offer room for growth. Investors could consider waiting for a correction in the market before beginning to build long-term positions in these stocks.

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