2020 Stock Market Crash: Here’s Where You Should Invest Now

Description

We have already been through one market crash in 2020, and another one might be just around the corner. And since the economy has taken a solid beating and has been weakened, another crash might be worse than the one we had in March.

It might not be as vicious because investors are relatively better prepared (at least mentally), and they might not initiate or participate in selling frenzies.

And while it’s true that no amount of diversification and hedging can make your investment portfolio completely crash-resistant or recession-proof, at least not in a year like this, a few good picks can ensure that the crash isn’t as devastating for you as it’s for unprepared investors.

One good way to do it is investing in a safety stock before the crash, anchoring down your portfolio, and buying a good, oversold growth stock, when its knocked down to a desirable level in the market crash.

The latter can help you offset some of the losses you might suffer in a market crash.

Safe utility stock

Utility stocks are typically a safe bet against recessions and crashes and market downturns. Because no matter what the financial situation is, people still need electricity and gas. These are some of the few expenses where people don’t skimp on, even when they are going through a tight financial period. This makes stocks like **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) a desirable, safe stock to have in your portfolio.

While it has recovered to its start-of-the-year value, ever since the March crash, it hasn’t been able to regain its pre-pandemic valuation. That means its price of $18.5 per share is still with a 17% discount tag on.

It’s also a Dividend Aristocrat with nine years of increasing payouts under its belt. It currently offers a juicy yield of 4.5%. Its capital growth potential is also quite substantial.

Its safety as a stock goes beyond it being a simple utility stock. Algonquin leans very heavily on wind, solar, and hydroelectric sources for power generation. If there is an aggressive shift towards green energy in the coming years, Algonquin will be very well-positioned.

Growth utility stock

While **Northland Power** (TSX:NPI) has a lot in common with Algonquin, there is one major difference that makes it a good pick when the market has actually crashed. That's because it's a bit oversold. It's trading at a price to book ratio of 6.3, and its price to earnings is at 22. After the crash, it has recovered at an amazing rate and is currently trading at a price that's 11% higher than its pre-crash value.

It pays monthly dividends, and the current yield is 3.3%. Its five-year compound annual growth rate (CAGR) is 24%, enough to almost double your one year's TFSA contribution ($6,000) in just three years. The company offers an impressive return on equity (30.3%) and has a well-balanced balance sheet.

It also focuses on the renewable, and has a geographically diversified portfolio, making it a strong candidate for any investment portfolio.

Foolish takeaway

When investors steer clear from energy (as they are doing now), they sometimes also tend to stay away from utilities, and that's a mistake. Utility stocks, especially like the two mentioned above that rely on renewable and focus on green energy, offer bright long-term prospects.

They also offer a good hedge against market volatility, making them good anchors if you want to keep your portfolio afloat during a market crash.

CATEGORY

1. Dividend Stocks
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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

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