3 Stocks for Safety in the Next Market Crash

Description

Last week, we saw signs of the second stock market crash that many investors had been anticipating. After months of gains, stocks took their first big dip, led by tech. In the aftermath of the COVID-19 market crash, investors flooded into stocks seen as immune to the pandemic. That included big tech. Eventually, this led to a very overheated market, and a steep selloff in stocks, led by tech stocks.

This September, we may see stocks fall, or resume their previous climb. Ultimately, nobody knows. What can be said with certainty, though, is that you'd do well to have stocks in your portfolio that could withstand the next crash. The following are three stocks that just might fit the bill.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is perhaps the most recession-resistant dividend stock in Canada. In the past 46 years, it hasn't missed a single dividend increase–despite several recessions having occurred in that period. In 2008 and 2009, the peak years of the global recession, FTS actually increased its earnings. In Q1 of this year, its earnings were flat–compared to huge earnings declines, or even losses, for most stocks.

As a utility, Fortis is the perfect example of a non-cyclical stock that can fare well in recessions. It yields 3.5% at today's prices and management is aiming for 6% annual dividend increases over the next five years.

CN Railway

The **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is an ultra-resilient railway company. Railways generally *are* cyclical, but CN has fared better than many companies in the COVID-19 crash. In Q1, it grew its earnings by 31% year over year. In Q2, earnings declined, but the company didn't lose money.

For 2020, these are comparatively good results. There are reasons to expect them to continue. As a railroad, CN benefits from increasing automation, allowing it to lower costs over time. This is a big reason why its earnings jumped in Q1, even with flat revenue. So despite the overall cyclicality of railroads, CN could fare well in the event of a recession.

Algonquin Power & Utilities

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN) is another utility company. Unlike Fortis, AQN did take a fairly big hit in the COVID-19 market crash. As a result, its stock is down about 18% from February 20–the beginning of the COVID-19 market crash. However, AQN's recent earnings have actually been quite good.

In Q2, revenue was flat, while earnings increased by 81%. This shouldn't surprise anybody, because utilities tend to be more stable than average in recessions. However, an 81% earnings jump is better than average for a utility in 2020.

That said, it appears that Algonquin's Q2 earnings included some non-cash or non-recurring items. Its adjusted EBITDA–which adjusts for unusual items–was down 7% for Q2. That's more in line with revenue and probably more reliable than the GAAP earnings figure. Nevertheless, this utility has fared pretty well in the COVID-19 era.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:FTS (Fortis Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:FTS (Fortis Inc.)

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1. Dividend Stocks

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