3 Safe Bets to Buy Amid the Fear of Another Market Crash

Description

Although the Canadian markets have recovered strongly from their March lows, they are not in sync with the fundamentals, as the unemployment rate is still on the higher side. Also, many countries could report a contraction in their GDP this year. So, these issues could create a headwind for the markets going forward.

Meanwhile, you can protect your investments by investing in these three defensive bets, which are immune to economic downturns.

Kinross Gold

My first pick would be a gold mining stock, **Kinross Gold** (TSX:K)(NYSE:KGC). Since the beginning of this year, the company has returned over 99%. The surge in gold prices and its impressive second-quarter performance has supported the company's stock price growth.

In its second quarter, its revenue grew by 20%, while its adjusted EPS increased by over 150%. Apart from the higher average realized gold price, the increased contribution from its low-cost mines has improved its margins. Meanwhile, the company has several projects in the pipeline. Also, it has ample liquidity to support these projects.

Further, the gold price could move north, given the uncertainty over the economic implications of the pandemic, lower interest rates, excessive liquidity, and high volatility in the stock markets, which could benefit the company. So, I am bullish on Kinross Gold.

Fortis

My second pick would be an electric utility company, **Fortis** (TSX:FTS)(NYSE:FTS), which is down 1.7% for this year. The company has allocated only 7% of its assets towards energy generation. Meanwhile, it utilizes the remaining assets for the low-risk businesses, such as the transmission and distribution of electricity and gas. Thus, the company's earnings and cash flows are mostly stable.

Despite the impact of the pandemic, the company reported an adjusted EPS growth of 3.7% in its recently completed quarter. It also generated $94 million of cash from its operations, supported by an increase in the rate base of its regulated utility business.

When the majority of the companies have withdrawn their guidance, the company has reiterated its long-term outlook. The management expects to raise its rate base from $28 billion at the end of the last year to $38.4 billion by 2024. The growth in rate base could support the company's earnings growth in the foreseeable future.

Meanwhile, Fortis is also a Dividend Aristocrat, which has increased its dividend for the past 46 years. Currently, the dividend yield of the company stands at 3.6%. So, given its stable cash flows and a health dividend yield, Fortis would be an excellent defensive bet.

Dollarama

The largest discount retailer in Canada, **Dollarama** (TSX:DOL), is my third pick. The retailer has performed exceptionally well since going public in October 2009 by delivering over 1,400% of returns. This year alone, the company has returned over 12%, easily outperforming the S&P/TSX Composite Index.

Due to its compelling value, the company attracts higher footfalls, even during the economic downturn, as customers look to cut down on their expenses amid lower disposable incomes. In its recently completed second quarter, its revenue grew by 7.1%, driven by a comparable sales growth of 5.4%.

Meanwhile, the company has a competitive edge over its peers due to its extensive presence in Canada and its expertise in direct sourcing from low-cost producers. So, given its recession-proof business model, consistent performance over the years, and competitive advantage, I think Dollarama would be a good buy amid a volatile environment.

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

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2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:DOL (Dollarama Inc.)
4. TSX:FTS (Fortis Inc.)
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