



MARKET CRASH 2020: How to Profit During the Panic

Description

Are we experiencing a market crash or a market surge? The answer depends on the week.

What's certain, however, is that nothing is certain.

"Markets have historically loved fat margins, low inflation, stability and, by inference, low levels of uncertainty," [noted](#) Jeremy Grantham, head of GMO Asset Management. Using this logic, you'd think stock markets would be performing poorly. So far, that's not the case.

"This is apparently one of the most impressive mismatches in history," Grantham added. "That being said, this is a new type of crisis and much will be different. There are no certainties but there are probably still some better and safer themes. Caution and patience are likely to be two of them."

No one knows what the future will be, but protecting your portfolio *now* could pay big dividends. Here's how to avoid another market crash without sacrificing long-term upside.

Ditch the losers

Not all stocks will thrive in the future, even if another market crash fails to materialize. The best examples are airline stocks like **Air Canada** ([TSX:AC](#)).

Most airlines admit that conditions won't return to normal for some time. Air Canada sees a full recovery taking two to three years. **Delta's** CEO thinks the industry will be permanently smaller. Manufacturers like **Boeing** and **Airbus** are bracing for a five-year downturn.

Just look at Warren Buffett. Before the pandemic, he was a leading shareholder of four different airlines. Today, he doesn't own a single share.

"The world has changed for the airlines," Buffett highlighted.

Even if the overall stock market remains healthy, the market crash for airlines stocks will persist.

Buy monopolies

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a monopoly-like business. Monopolies nearly always demonstrate extreme [pricing power](#) over their customers. That's a huge advantage during a market crash.

Enbridge is the largest pipeline owner in North America. Fossil fuel producers rely heavily on the company to ship their output. A pipeline squeeze in 2018 proved that Enbridge is in charge.

This power lets the company charge customers on volumes, not commodity prices. So, even if there's a market crash in oil, Enbridge is insulated.

Recently, it's been asking customers to sign decade-long contracts at fixed prices. No matter where the economy heads, monopolies like this can profit.

Stop the market crash

Want to avoid another bear market completely? Own stocks like **Hydro One** ([TSX:H](#)).

Hydro One is capable of producing consistent cash flow, even during a severe market crash. That's because it's in a recession-proof business: electricity distribution.

Hydro One owns transmission lines that cover 98% of Ontario. It's a pure middleman business. It takes the power that other companies generate, and delivers it to residential and commercial users. Both parties need Hydro One, giving it monopoly-like powers.

In exchange for this market power, regulators determine how much the company can charge. It often does this years in advance. That limits upside but caps downside completely.

If another market crash hits, Hydro One will be selling the same amount of power at the same prices. This is a perfect place to hide for bearish investors.

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