COVID-19: Pandemic-Resilient Stocks to Hide in Before the Correction Turns Into a Crash

Description

Many bears believe that the COVID-19 relief rally is about to end. The **NASDAQ** and **TSX Index** are currently sitting in correction territory (10% off all-time highs), and the **S&P 500** is not very far behind. With a potential second wave of COVID-19 cases threatening to spark reopening rollbacks and another round of self-isolation, the economy could be in for a repeat of what happened in the first half of the year.

Although we are closer to the advent of a safe and effective vaccine, many overly bullish investors that are under the assumption that the COVID-19 pandemic will end in early 2021 may be poorly positioned for a potential market crash that could happen between now and the time a vaccine is readily available for broad distribution. Things could have the potential to get just as ugly, if not uglier, than back in February and March. Fortunately, investors have a friend in the Fed. But that doesn’t mean investors should go without a “Plan B” in case fear and panic can grip this market once again.

Don’t panic; stick with your game plan before, during, and after the second COVID-19 sell-off

Nobody made a buck from panicking in the face of sell-offs and sudden volatility surges. If this September correction is the beginning of a steeper market crash, you should seek to deploy capital in the bargains that come your way. Of course, you’ll need cash on the sidelines to take advantage of opportunities as they come along. With defensive names in your portfolio, you can better hold your own and keep your cool once everybody else loses theirs.

If you’ve been feeling the full force of the September correction, you’re not alone. Many investors got too greedy and overweighted their portfolios in the first-half-of-the-year winners, which could become the second-half losers. Fortunately, it’s not too late to bolster your portfolio’s defences. Many frothy tech stocks have more than doubled, and there’s still ample profits to be taken off the table. If you’re looking to position for a rise in volatility, now may be a great time to scoop up shares of low-beta plays like **Loblaw** (TSX:L).

A capital-allocation hint from Warren Buffett

Loblaw is a Canadian grocer whose shares won't make you rich. But as a part of a defensive portion of your portfolio, the defensive play can help you stay rich should Mr. Market pull the rug from underneath investors once again. Smart investors know that investing is more about building *and* preserving wealth. In the face of a crisis, it's vital to have a backup plan if bullish expectations go sour. Warren Buffett is the greatest investor of our time, and he's buying shares of U.S. grocer **Kroger** in preparation for the uncertainties that lie ahead.

What entices me about Loblaw over the likes of its peers is that it's a grocer with one of the best value propositions out there. The coronavirus recession could drastically worsen if a second wave were to hit and spark another spike in unemployment. Nobody knows if there will be enough stimulus cheques to hand around this time around, and Canadians may find themselves aggressively tightening their belts.

That means taking a raincheck on the fancy organic grocery store for cheaper, more value-conscious No Name products at the local Loblaw-owned Real Canadian Superstore. Even if a vaccine breakthrough were to land tomorrow, Loblaw is still a compelling bet given the 2020 recession is likely to outlast the COVID-19 pandemic.

Foolish takeaway

Now, I'm not suggesting you overweight yourself in grocers like Loblaw, as you look to hide from the next market crash. If you are lacking in defensive stocks and are in a spot to feel amplified damage in the continuation of this sell-off, then it makes a tonne of sense to beef-up your defences with a name like Loblaw while it's still cheap in preparation for a bear-case scenario, which, while unlikely, is still possible.

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Date
2025/08/15
Date Created
2020/09/21
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