3 Canadian Stocks for Safety in a Market Crash 2.0

Description

The September market selloff continued yesterday, with the TSX down about 2% at open. This time, it was not tech stocks, but energy, banks, and airlines that led the slide. **Air Canada** fell 5% within minutes of market open, while banks posted more modest losses.

In this environment, a second outright market crash is looking more and more likely. The NASDAQ is already in correction territory (down 10% from all time highs), and the TSX is also down significantly.

Ultimately, nobody knows how long the market carnage will continue for. For the longest time, tech stocks were leading the slide. Now, companies that got battered by COVID-19 are once again bleeding. It's hard to say how this will all play out. What we do know is which sectors tend to perform best in times like these. With that in mind, here are three stocks for safety in a market crash 2.0.

CN Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is a railway stock with a long-term track record of surviving recessions. In the middle of recessions, railways actually do quite poorly, being cyclical. But they bounce back with the ensuing recovery, as demand for their services picks up.

So far in 2020, CNR has handily outperformed the market. In the first quarter, it grew earnings by 31% year over year, although its second quarter saw earnings decline. Q2 was technically a "beat," mainly because of low expectations going into it. Nevertheless, CNR survived the last recession and should survive this one.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a utility stock that has behaved more like a tech stock over the past decade. Up 292% since September 2010, it has been a major market beater.

Utilities in general tend to be safer than average in recessions. The reason is that their revenue is stable, being protected by high barriers to entry, and the fact that they provide essential services.

People want to stay warm in the winter. For this fact alone, a utilities ETF could be a good pick right now. But if you're looking for a little more upside than average, AQN could be one to consider. It has better-than-normal growth for a utility and is partially a bet on the trendy renewable energy industry.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another TSX utility stock with an incredible long-term track record. It has raised its dividend every single year for the last 46 years, giving it one of the longest TSX dividend-growth streaks.

So far in 2020, Fortis hasn't been affected too severely by COVID-19. In Q2, its adjusted earnings increased from $0.54 to $0.56. That's not a huge percentage increase, but keep in mind that a lot of companies are seeing earnings decline this year. It's a *comparatively* solid result — just another testimony to the safety of utilities in the midst of recessions.

CATEGORY

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2. Investing

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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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