



## The U.S. Election Could Spark a Nasty Sell-Off: Here's 1 Top Pick to Prepare

### Description

The technical picture doesn't look great heading into the [U.S. presidential election](#) that's sure to spark another uptick in volatility amid this already stomach-churning pandemic-plagued market.

While it's foolish (that's a lower-case "f," folks!) to make moves based on who you think will win the election, it makes sense to [get ready for another storm](#) that could hit heading into October's end. Whether that means trimming a bit of profit off the biggest winners of the first three quarters to shore up enough liquidity to buy the next dip or bolstering your portfolio's defences with cheap defensive stocks, investors should seek to re-evaluate their portfolios to determine if they're ready to profit from another vicious correction.

## Ready for another round in the ring with Mr. Market?

We don't fear market sell-offs here at the Motley Fool. We embrace them and look to pick up discounted shares, as we would seek to load up on marked-down merchandise on a Black Friday or Boxing Day blowout. Of course, to capitalize on door-crasher specials during market sell-offs, one needs enough dry powder on the sidelines and the temperament to go against the grain and not follow the herd.

This piece will have a look at two Canadian defensive stocks that not only stand to face muted downside in the next sell-off but will also stand to rally as the broader indices go on the retreat. Now, even low beta defensive stocks stand to tumble in the face of a panic-driven cash-crunching meltdown.

But with the magnitude of unprecedented stimulus that's backing this market, I'd be more inclined to bet the next decline will be a garden-variety buy-the-dip plunge and not a repeat of the February-March Wile E. Coyote crash that'll be in the record books for decades to come.

## A market sell-off on the horizon? Head North West!

Consider shares of **North West Company** ([TSX:NWC](#)), a lesser-known Canadian-centric retailer

whose shares exhibited strength in the face of the September pullback. Given the stock's dirt-cheap valuation and its propensity to zig while the market zag, NWC is likely to be one of few green arrows in what could be a sea of red.

In prior pieces, I highlighted that North West was an unsustainably undervalued pick that was both technically and fundamentally sound. The stock was caught in a narrow channel of consolidation for a few years and only recently had the name broken out.

If you're well versed with the technicals, you'll know that the longer a stock stays consolidated, the greater the magnitude of the breakout stands to be. In essence, the longer the consolidation in shares, the more compressed the coiled spring will stand to be.

Although North West stock has recently broken out, the stock remains ridiculously cheap, especially given the type of unpredictable pandemic-plagued market environment that we're in, which ought to assign premium price tags to defensive firms such as North West.

As I described in prior pieces, North West has a far wider moat than most other retailers. The firm primarily operates in underserved Canadian (and American) communities in the northwest (hence the name *North West Company*). North West's shops are the only game in town to many rural localities, whether we're talking about the firm's line of grocery stores (Northern) or its discount retail locations (Giant Tiger).

With defensive, essential businesses that will face less volatility in the face of the coming second wave, North West is one of few stocks that can soar in the face of vicious selling. Moreover, with the mere 0.36 beta, North West is also one of the stocks that can distance itself from the pandemic-plagued **TSX Index**, which could take a brunt of the damage come the next election- or pandemic-induced sell-off.

## Foolish takeaway

Given the defensive calibre of business you're getting from NWC, I find it absurd that the stock trades at a mere 0.7 times sales and 13.3 times forward earnings. As such, I would encourage Canadian investors to load up on shares today, even in the face of further market volatility.

Should shares pull back in an election-driven sell-off, I'd look to double-down, as NWC stock is already ridiculously undervalued here.

### CATEGORY

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### TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

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