Market Correction: 2 Canadian Stocks to Buy When Panic Strikes

Description

Analysts at **Morgan Stanley** thinks that we could be due for another market correction (10% drop from today's levels) and given the potential for profound volatility, with U.S. election jitters and surging coronavirus cases. While the coming correction may be vicious, it's a buyable one, as the U.S. Fed is likely to come to the rescue should fear grip this market again.

Moreover, as we inch closer to rapid testing, new treatments, and a potentially safe and effective vaccine, you're going to want to be invested in this market if you plan to ride on the back of a new bull market that could roar into a post-pandemic world.

Always be ready for a market correction!

If you're like many investors and have gotten a tad complacent, it may be time to rotate modestly into defensive dividend stocks that can hold their own once the next volatility storm hits. Believe it or not, we're just over a week away from the U.S. election. And you'll be sure to hear a list of negative news, regardless of who ends up winning the election.

As the market correction comes, you should seek to buy all the way down. But in the meantime, you can limit your damage with names like **Fortis** (TSX:FTS)(NYSE:FTS) and **Hydro One** (TSX:H), which sport low betas, making each stock less likely to care about any election-driven volatility spikes that may be up ahead.

Fortis

Fortis is one of my favourite bond proxies. With a 3.7%-yielding dividend slated to grow at a mid-single-digit rate every year, regardless of what state the economy is in, Fortis can act as a foundation for any portfolio. It's my go-to defensive stock to rotate into if the markets become frothy or if there are risks up ahead.

Fellow Fool contributor Andrew Walker thinks that Fortis is a top pick for investors with the jitters over the coming U.S. election and its potential to cause a steep market correction: “Everyone hopes the U.S. election will go smoothly. However, it makes sense to position your portfolio to ride out a potential market correction if things don’t work out that way. Fortis is a good defensive pick if you want to be cautious with your new investments today.”

Walker is right on the money and I would encourage investors to average down their beta with a quality name like Fortis that could stand to rally in a market sea of red.

Hydro One

Hydro One (TSX:H) is one of the most boring stocks on the **TSX**. The regulated utility has a virtual monopoly over Ontario’s transmission lines, and that’s acted as both a blessing and a curse. It’s a blessing in times of volatility, as the firm’s operating cash flow streams are subject to far less volatility than most other businesses out there amid the crisis.

Hydro One is the only game in town, and its monopolistic market positioning protects its cash flows over the long haul, making the company less subject to choppy moves suffered by the broader indices.

Like Fortis, Hydro One is one of the better bond proxies out there. With interest rates at the floor, Hydro One’s growing 3.4% yield is that much more attractive. While H stock is no longer the steal it was a year ago, it offers a solid value proposition for nervous investors who want to batten down the hatches before a potential market correction.

Stability and certainty trades at a premium these days. As such, I have no problem recommending Hydro One as things could get ugly heading into year’s end.

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2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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