2 Safe Stocks to Survive the Next Bear Market

Description

Is a bear market on the way? No one knows, but the numbers don't look good.

Nearly every economic indicator is in the bottom 10% of history. A recent resurgence in COVID-19 cases could force another round of unprecedented stimulus. Consumer confidence, meanwhile, is near multi-year lows.

The stock market, however, is surging to new highs. This is one of the greatest mismatches in financial history.

If you want to protect your portfolio from the next bear market, the two stocks below are for you.

Bet on the future

The transition to renewable energy isn't on the way — it's already begun.

Over the last five years, the world deployed $1.5 trillion to build renewable energy projects. Over the next five years, the sum should exceed $5 trillion. This is one of the biggest growth markets in human history, and you don't want to miss out.

My top renewable energy stock is **Brookfield Renewable** (TSX:BEP.UN)(NYSE:BEP). This business is poised to capitalize on demand growth for renewables, and its strategy is particularly well suited to withstand difficult bear markets.

For example, the company recently purchased wind energy assets in Spain for roughly $1 billion. Brookfield's scale allows it to pursue global opportunities like this. In recent years, regulatory uncertainty forced selling prices lower. Brookfield took advantage of this limited-time buying opportunity.

The best part is that these wind assets already contracted out 100% of their energy generation. Therefore, future cash flows are almost guaranteed. Even if a bear market hits, Brookfield will be profiting all the same.

Renewable energy growth will be a multi-decade story. Brookfield stock lets you take advantage while mitigating your downside exposure.

The best bear market stock

Brookfield has mitigated downside, but shares could still fall during a market correction. The same can't be said of **Hydro One** (TSX:H), possibly the safest stock on the TSX.

Hydro One is considered a rate-regulated utility. That means the government dictates how much it can charge customers for the power it delivers. That sounds like a bad thing, but during a bear market, it's a game changer.

The company primarily delivers electricity to customers in Ontario, where its transmission lines cover 98% of the province. Even during a recession, electricity demand doesn't recede that much. And with regulators guaranteeing a level of profits, often years in advance, Hydro One has extreme visibility into future cash flows.

You can see this safety play out over the 2020 market crash. Since the year began, the **S&P/TSX Composite Index** is *down* by nearly 5%. Hydro One stock, for comparison, is *up* by nearly 20%. The safety of this bear market stock is not hypothetical.

These cash flows support a 3.4% dividend, which should be considered rock solid. The company also has reasonable growth plans, which call for 5% annual rate base growth.

In total, investors should expect annual returns between 8% and 9%. That doesn't seem crazy until you realize these returns are possible, even if the market overall drops by 50% or more.

If a bear market hits, this is the stock you want to own.

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TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:H (Hydro One Limited)

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