Pandemic? Election? These 3 Ultra-Safe Stocks Don’t Care

Description

In 2020, there are two ongoing situations with major implications for investors:

The COVID-19 pandemic, and U.S. election season. Both of these things are seen as contributing to stock market volatility. The former caused a recession and a market crash, while the latter is seen as a potential source of political instability.

In this environment, many people aren’t sure what to do with their money. Some people are waiting until after the election to invest, while others are trying to find assets that are safe in this environment.

Ultimately, nobody knows what stocks are going to do tomorrow. But it is possible to identify stocks that are less exposed to the prevailing risk factors. By buying such stocks, you position yourself to thrive in turbulent times. In this article, I’ll be exploring three stocks that are relatively immune to both the pandemic and the election. All three of them are utilities.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is Canada’s largest publicly traded utility. It has proven its stability over the years, with consistent earnings growth and dividend increases. It has increased its dividend every single year for the past 46 years. In 2008 and 2009, it grew its earnings two years in a row. That’s significant because those years coincided with a massive recession.

In the first quarter of this year, Fortis increased its net income slightly. In the second quarter, adjusted EPS grew from $0.54 to $0.56. Both quarters saw revenue nearly unchanged. All of this speaks to a company that can weather the COVID-19 pandemic without too much damage. Remember that Q1 and Q2 both coincided with COVID-19 lockdowns. So the fact that the company grew its earnings in those quarters speaks volumes.

Algonquin Power & Utilities

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN) is a utility with a strong focus on renewable energy. Its Liberty Power subsidiary operates 35 clean energy plants. Algonquin's second quarter saw earnings increase 83% year-over-year. That's a nice looking number; however, adjusted earnings were down 13%.

According to the company's second quarter report, customers have cut down on electricity usage in response to the pandemic. So, COVID-19 is affecting the company a little. But the effect has been pretty minimal. The company is also well positioned with respect to the election. Thanks to its investments in green energy, it would have an advantage in a Biden administration, as Biden is encouraging the development of green energy.

Emera

Emera Inc (TSX:EMA) is another utility that has fared reasonably well amid the pandemic. Its stock was up 0.7% for the year as of this writing. Its second quarter results were similar to Algonquin's. Adjusted earnings were down 10% year-over-year, slightly better than Algonquin's 13%. An earnings decline is never good news, but remember that a lot of companies (especially airlines and energy companies) have actually *lost* money because of the pandemic.

For Emera's earnings to decline only 10% is a comparatively good result. EMA is also well positioned for any election outcome, as only a small percentage of its assets are based in the United States.

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