3 Stocks You Can Still Buy in a Ridiculously Expensive Market

Description

Markets are ridiculously expensive these days. Whether you agree with this statement or not, the exceptional performance of stock markets is something we all can see. The **S&P/TSX Index** is in the midst of a phenomenal rally off of March lows. Up 50% from its March lows, one cannot help but wonder what is driving this and whether this is a fair reflection of reality.

Well, yes and no. The government of Canada has lessened the economic blow of the coronavirus pandemic. Many individuals are struggling, but new areas of the economy are showing greater signs of strength than ever before. In September, Canadian employment was only 3.4% lower than pre-pandemic levels.

Nevertheless, the market does look expensive today. And with the second wave accelerating and the risk of lockdowns re-merging, things are definitely fragile.

Here are three stocks to buy in this market.

Stable, regulated revenue = limited downside for Fortis stock

Utilities stocks don't rise as much as other stocks when things are going well. They also don't fall as much when things are going badly. This is my reasoning behind my first stock pick. In a ridiculously expensive market, you can still buy stocks with two specific attributes: limited downside and a healthy dividend yield.

Fortis (TSX:FTS)(NYSE:FTS) is a North American leader in the regulated gas and electric utility industry. This means that revenues are quite stable and predictable. This also means that revenues are pretty inelastic to economic weakness. Fortis stock has limited downside.

Furthermore, Fortis stock gives its shareholders a generous dividend. Yielding 3.76% today, Fortis is a reliable income generator. It is therefore a top stock to buy in an expensive market.

Stock to buy: Suncor stock trades at trough valuations and has limited downside

Undervalued stocks are another type of stock you can still buy in an expensive market. I'm talking about stocks that are undervalued through no fault of their own. They are either in an industry that is struggling or one that has lost favour. Or they are victims of some other macro events that have no bearing on their true, long-term value.

Suncor Energy (TSX:SU)(NYSE:SU) stock is a stock that fits this criteria, in my view. But things are never easy or clear until they are seen in hindsight. Suncor and the oil and gas industry have some real challenges, so Suncor's discounted valuation may seem appropriate. But maybe the market (investors) have become unable to see that things are not quite that bad for all oil and gas companies.

Those oil and gas companies that survive these brutal years may emerge to a new day — a day where oil and gas operations are significantly less carbon intensive and when the market recognizes that this energy is needed. Even in a world where we are transitioning to cleaner energy alternatives, oil and gas is still needed to bridge the gap. The transition will not happen overnight. It will take many years. In the meantime, Suncor stock is looking absurdly cheap.

A top healthcare REIT stock to buy

6.5%-yielding **Northwest Healthcare Properties REIT** (TSX:NWH.UN) is another stock I recommend adding in this expensive market. As an owner/operator of a diversified portfolio of healthcare assets in Canada as well as globally, Northwest has exposure to a defensive stream of revenue. While there are economic disruptions related to the coronavirus, even in the healthcare sector, this REIT operates in an essential sector that is highly resilient.

Motley Fool: The bottom line

The stocks that I have listed in this article all share common attributes. They are defensive, they are reasonably priced, and they have limited downside. Therefore, you can still buy them in this expensive market for some much-needed income.

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4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
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karenjennifer