Market Crash 2.0: Build a Recession-Proof Portfolio With These 2 TSX Stocks

Description

The last few months have seen an unprecedented surge in equity markets. After the bear market witnessed in March, indices have staged an impressive rebound to trade at record highs. However, several experts believe the stock market is not in sync with the economy. This suggests another stock market crash is in the cards.

However, it is impossible to time a market crash, and the unparalleled decline in March showed it could take as little as 20 trading days for markets to decline by 20% and enter bear market territory.

There is an elevated risk in equities right now, which means there could be a major correction in valuations in the next few months. There might also be a housing market crash, which, in turn, will impact banks and financial institutions. High unemployment rates will lead to lower consumer spending and sluggish GDP growth.

Fortis is a recession-proof stock

Investors can look at add utility companies such as **Fortis** (TSX:FTS)(NYSE:FTS) to their portfolios. Fortis provides essential services to millions of North Americans and is unlikely to see a decline in revenue or cash flows, even if the economy tanks.

Fortis is a blue-chip company on the TSX and is a top defensive play that can protect investors from a market crash. The company has increased dividends for close to 50 consecutive years, which makes it an attractive investment for income investors as well.

Fortis has survived multiple economic recessions and has managed to maintain its dividend-growth streak. Its regulated business can easily weather a volatile economic landscape as well as help the company maintain or even increase dividend payouts.

Fortis operates a portfolio of power generation, electrical transmission, and natural gas distribution businesses in the U.S., Canada, and the Caribbean. It remains well poised to generate a reliable and predictable stream of cash flows, as households and businesses will continue to pay for electricity and other essential services.

Fortis has a forward yield of 3.8%, which means a $10,000 investment in the Dividend Aristocrat will generate $380 in annual dividend payments.

A stock yielding 5.5%

Another recession-proof company is **TransAlta Renewables** (TSX:RNW), a stock that has a forward yield of a tasty 5.5%. Investing in renewable energy companies can help create long-term wealth as these stocks represent one of the single biggest opportunities for income and growth investors.

The shift to clean energy is inevitable, making TransAlta one of the stocks to look out for in the upcoming decade. The company has a portfolio of 30 income-producing assets in Canada, the U.S., and Australia. These assets consist of solar, hydro, wind, and natural gas facilities.

TransAlta's regulated contracts will help it generate stable cash flows that can be used to reinvest in growth or increase dividends. There is also a good chance that investments in clean energy companies will increase after Joe Biden comes to power.

The Foolish takeaway

If you have capital tied up in risky investments that can suffer a massive loss when the markets crash, it is time to re-evaluate your portfolio. It makes sense to add defensive assets that can protect your capital and even pay you dividends.

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