Here’s the Stock I’m Buying, as I Plan for a Stock Market Crash

Description

The stock market is coming in hot, perhaps too hot, paving the way for a stock market crash (or correction) following one of the best months in over three decades.

Now, the latest rally is on the back of some highly favourable U.S. election results and COVID-19 vaccine news. While the news is enough to inspire one to put the remainder of their savings on stocks, I’d urge investors to be cautious after the run, as COVID-19 cases continue to surge uncontrollably across many states and provinces that could be going from partial closures to a full-blown lockdown.

Before the population can be inoculated, we face a tough winter. And here in Canada, the economy may find itself stuck in the gutter for a bit longer if the average Canadian isn’t able to get vaccinated by the second half of 2021.

Stock market crash: Has this vaccine-driven rally overextended itself?

Yes, the recent slate of good news gives eliminates a set of risks, making certain investors more comfortable to get back in the market. But have investors piled in too fast, too soon?

Possibly. While the end of this pandemic is now within reach, the odds of extensive economic damage in this second wave could have the potential to be drastically worse than most analysts are calling for.

As such, I think now is a great opportunity to take some profits off the table with some overheated COVID-19 recovery plays (think **Cineplex**), many of which surged over 50% last month, in favour of the out-of-favour defensives. Such defensives took an unfair hit to the chin last month amid the rotation into recovery stocks. Still, it’s these names that will best hold their own should Mr. Market pull the rug from underneath investors again.

Consider picking up shares of **Fortis** (TSX:FTS)(NYSE:FTS) on weakness before any investor "irrational exuberance" sparks a much-needed stock market crash or correction.

Fortis: A safety play with a low price of admission

Fortis is a great stock to buy whenever shares dip, as it's usually a broader reversal in appetite for defensives rather than concerns with the company itself. With a highly regulated operation cash flow stream, Fortis is one of few businesses that should trade in its own world, regardless of what's troubling the broader market. At the end of the day, Fortis will continue returning ample amounts of cash to shareholders in the form of its generous dividend that's poised to grow at a mid-single-digit rate each year, recession or not.

With Fortis, you won't get much in the way of surprises. For a utility, Fortis is growing at an above-average rate, but you're certainly not going to get rich off the name. Instead, you're getting some very high-quality earnings with a name that I find to be among the easiest to value, given the steady, upward nature of its earnings.

The stock is currently down just shy of 5% from its November highs and down 11% from its pre-pandemic all-time highs. I'd treat the pullback as nothing more than a buying opportunity for investors looking to ride out what could be a bumpy road that could include a stock market crash en route to the post-pandemic world.

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