



Market Crash Alert: How to Protect Your Portfolio

Description

No one looks forward to the next market crash, but it's coming sooner than you think. The trick is to be prepared.

Most stocks perform poorly during a market-wide downturn. Many perform disastrously. But some investments actually *rise* in value.

If you want to protect your portfolio from the impending crash, the two stocks below are your best bets.

This stock can rise in any environment

The biggest mistake you can make during a market crash is to invest in stocks that rely on consumer spending. When asset prices fall, people feel poorer, and usually opt to spend less. That's a bad place to be when stocks fall.

A good way to mitigate this risk is to focus on companies that sell to businesses, particularly businesses that are recession-resistant. That's what **Constellation Software** ([TSX:CSU](#)) does, except it takes this risk mitigation even further.

Constellation sells software to business users. You've never heard of any of its products because they're hyper-niche, sometimes catering to a single industry.

This sounds like a disadvantage because it limits selling potential, but the trade-off is that there's nearly no competition. There often aren't any alternatives to switch to, locking customers in.

When a market crash hits, many of its customers are impacted, but the software that Constellation sells is the last thing to be cut from the budget. The products usually facilitate [mission-critical](#) processes, and remember, there are often *zero* alternatives.

Constellation stock has risen by double-digits, and sometimes triple-digits, every year since it went public. During the next downturn, shares should experience little to no impact.

My top market crash stock

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been my top stock for years. Its business model is built for continued growth in good times and bad.

The key is that Shopify operates a platform model. These businesses are winner take all, meaning the company that cracks the code achieves positive feedback loops lack could last decades. It's the ultimate crash-proof stock.

"At first glance, Shopify isn't an **Amazon** competitor at all: after all, there is nothing to buy on Shopify.com. And yet, there were 218 million people that bought products from Shopify without even knowing the company existed," [explains](#) Stratechery's Ben Thompson.

"The difference is that Shopify is a platform: Rather than interfacing with customers directly, 820,000 third-party merchants sit on top of Shopify and are responsible for acquiring all of those customers on their own."

That customer base is now over one million, and the company's ability to perform during a market crash is now beyond doubt. This year, shares are up 170%, and that includes the COVID-19 correction.

When the market stutters, I expect shares to outperform yet again. That's because Shopify targets a growth market that won't stop chugging for decades: e-commerce.

You probably think that digital shopping has already taken over. But the reality is that just 10% of all retail sales in Canada are made online. This market can still double several times, with Shopify the direct beneficiary. This stock can protect you when the next crash comes.

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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