Fear a Market Crash in 2021? 3 Top Stocks to Buy Right Now

Description

The run-up in Canadian stocks continues in 2021, making them expensive on the valuation front. As valuations look stretched, and with the virus still in the background, many fear that the stock market could crash in 2021. Also, the growing disconnect of the real economy with the stock market is a concern.

Despite the challenges, I do not expect the stock market to crash. But I do see a healthy correction in the near term. However, for those who fear that the stock market will crash in 2021, I have shortlisted the top three Canadian stocks that they could consider buying right now to add stability to their portfolios. Besides stability, these stocks will generate a steady dividend income.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) derives 99% of its earnings from rate-regulated utility assets, implying volatility in the market is unlikely to have much of an impact on its stock. Thanks to its high-quality earnings base, it consistently boosts shareholders' returns through higher dividend payments.

The utility giant remains well positioned to benefit from continued rate base growth. Its focus on diversification and opportunistic acquisitions should further support its growth. Meanwhile, the company expects its dividends to increase by 6% annually over the next five years and offers a high yield of 3.9%.

Kinross Gold

While I admit that gold is not a perfect hedge against a stock market crash, I believe there are plenty of good reasons why investors should consider buying **Kinross Gold** (TSX:K)(NYSE:KGC). A stock market crisis is likely to drive demand and average prices of gold, which could support the margins of the gold mining companies, including Kinross Gold.

Kinross Gold expects its production to increase while its costs are forecasted to decline, thus supporting margins. Meanwhile, higher average realized prices could significantly boost its margins and drive double-digit growth in its bottom line.

Also, Kinross Gold's valuation at the current price levels looks attractive, while the company has reinstated its dividends. Currently, the gold mining company offers a decent yield of 1.7%.

Loblaw

While food retailers are likely to face tough year-over-year comparisons in 2021, shares of these companies could prove highly effective in protecting the downside risk in your portfolio amid a market crash.

Loblaw (TSX:L), being Canada's largest food retailer, is a top stock pick in this sector. The retailer operates through multiple banners that appeal to the masses. Moreover, its low beta suggests that its stock is less susceptible to large market swings.

While normalization in demand amid vaccine distribution could remain a drag on retailers, Loblaw's investments in store expansion and online grocery shopping services are likely to drive its top line and, in turn, its profitability. The company is expanding its digital platform and offering the convenience of online grocery pickup services and home delivery, which bodes well for future growth.

Moreover, Loblaw is a Dividend Aristocrat and currently offers a healthy yield of 2.1% amid low interest rates.

Bottom line

The defensive businesses of these companies make them attractive investment options for capital preservation amid volatility in the stock market. These companies should also help you earn a steady income, thanks to their robust cash flows.

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2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:FTS (Fortis Inc.)
4. TSX:K (Kinross Gold Corporation)
5. TSX:L (Loblaw Companies Limited)

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