Scared of Market Volatility in 2021? Stash Your Cash in This 1 Safe Stock

Description

A market crash is a sudden drop of a stock market index in a trading day or a few days. However, investors fear a severe correction because of possible losses when investment values drop. Historically, bull markets in the past have experienced several corrections. At times, frightened sellers caused the crash.

Dividend stocks, in particular, are income sources of retail investors with long-term financial goals. During a bear or declining market, share prices could fall and dividend cuts loom. You should move your cash to safer assets for capital protection and sustained dividend payments in such a case.

In the Toronto Stock Exchange (TSX), **Fortis** (TSX:FTS)(NYSE:FTS) stands out as a defensive asset. The utility stock is not 100% risk-free but has qualities that can withstand a market crash. Last year's performance is proof of the company's resiliency during a catastrophic event.

Temptation to sell

The TSX's most significant single-day decline since 1940 happened in the COVID year. On March 12, 2020, Canada's primary stock market index fell 12.34% to 12,508.50. Fortis shares fell 10.74% to $45.54 on the same day. During a crash, scared investors tend to sell. Often, the results are losses, because they sell at depressed prices. Thus, instead of selling, re-balance your portfolio.

The stock market usually pares down the losses following a crash. In the March crash, Fortis jumped 10.58% to $50.36 to quickly recover the loss after a day. There have been ups and downs since, although the price swings were not wild as you would expect.

By year-end 2020, the share price was $51.39, and the total return for the year was flat (+0.04%), which indicates that Fortis held its ground. Investors didn't lose money on the stock as the capital remained intact. Meanwhile, the company continued paying dividends. As of February 15, 2021, the share price is $51.50.

Regulatory mechanisms

The $24 billion well-diversified, regulated electric and gas utility company reported a 7.71% increase in adjusted earnings for the full-year 2020 versus the previous year. Fortis's $4.2 billion record capital expenditures yielded an 8.2% increase in annual rate base growth.

According to David Hutchens, its president and CEO, last year was a successful year on many fronts, despite COVID-19's challenges. Because Fortis's utilities have regulatory mechanisms, cash flows were stable, and earnings continued delivering reliable service.

The regulatory mechanisms protect about 83% of the company's revenues. Fortis's revenue increased in 2020 due to higher residential sales as a result of the work-from-home trend. As to the emissions, management has established a new corporate-wide reduction target of 75% by 2035. With its five-year capital plan in place, expect the rate base to increase from $30.5 billion in 2020 to $40.3 billion by 2025.

Dividend-growth target

Fortis expects that long-term growth in rate base will support earnings and dividend growth. With its five-year capital plan in place, expect the rate base to increase from $30.5 billion in 2020 to $40.3 billion by 2025.

The utility stock currently pays a 3.92% dividend. Management targets an average annual dividend growth of approximately 6% through 2025. While sustainability across its utilities is the central focus, future growth depends on operations, performance, business prospects, and opportunities.

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