Top TSX Stocks to Buy As Bond Yields Rise

Description

We kicked off the week with a brutal growth-to-value rotation. And on Thursday, it evolved into a brutal broader market sell-off, with the growthiest of tech plays leading the charge lower. Indeed, the moves were unforgiving to beginner investors who weren't properly diversified. In numerous prior pieces published over the past few months, I've been warning that the stock market was overdue for a vicious, unforgiving growth-to-value rotation and that bond proxies were the go-to places to invest before any interest rate jitters.

The U.S. Federal Reserve still isn't concerned about inflation, and they're not even thinking about raising interest rates yet. That said, the action in the bond market has many investors doubting the Fed.

Bond yields are soaring: Don't panic — make the proper adjustments

Bond yields surged above 1.5% this week, and there are many reasons to believe it could be headed higher. Undoubtedly, investors are anticipating a rising-rate environment sooner than expected. And although the Fed has our backs as investors, some folks may be rattled that the Fed is running out of options. Indeed, the Fed could find itself between a rock and a hard place, with employment numbers still depressed and the threat of inflation looming.

Growth stocks have been punished, and many bubbles (think **Tesla**) within the sector are now in the process of correcting. While there's no telling just how long this rotation or tech-driven market correction (call it a mini-tech bust, if you will), I still think investors should start thinking about doing a bit of buying right here.

Where to hide if you're overweight tech and growth stocks?

Bond yields may be flirting with the 1.6% mark. But it's important to remember that real rates are still in the negatives. Even if the 10-year rises ascend to 2%, you'll still get a zero real return from the instrument. Thus, I still think stocks are one of few, if not the only, games in town for investors looking to grow their wealth at an above-average rate over time.

Certain growth stocks are still in need of a further correction, perhaps a vicious crash. Other growth stocks, which have been unfairly dragged down amid this week's tech wreck may prove to be massive buying opportunities. I'll cover hard-hit growth opportunities in another piece. In this one, we'll have a look at places to hide if you're not yet ready for +2% bond yields and a steeper 10-15% correction in the growth-heavy **NASDAQ**.

Consider high-quality bond proxies like **Fortis** (TSX:FTS)(NYSE:FTS) or **Emera**, top places to hide your wealth as growth sours and value becomes great again.

A lone green arrow in a massive down day

Bond proxies have been heavily out of favour in recent months, as the appetite for growth and cyclicals skyrocketed on the back of positive COVID-19 vaccine news. While Fortis' 4% dividend yield wasn't nearly as sexy as the hottest growth plays out there, I urged investors to consider accumulating shares as some sort of "Plan B" play in case the stock market melted down again.

Tech valuations were ridiculously high, and if a growth-to-value rotation were to kick in, I thought less-volatile shares of Fortis would be in high demand once again.

Fortis stock was a lone green arrow in the market-wide sea of red on Thursday. The low-beta defensive dividend stock actually held its own better than most other lowly-correlated assets like gold. With the stock at $49 and change, now is as good a time as any to accumulate shares if you're overweight growth and need a value foundation to hold up your portfolio.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/09/12
Date Created
2021/03/01
Author
joefrenette