Don't Panic! These 2 Stocks Can Stabilize Your Portfolio

Description

Stock market volatility can be scary. But don't lose your cool! There's a way to still make money while limiting your downside potential.

The trick is the pick your investments carefully. The two companies below can mitigate your risk without sacrificing long-term upside.

This stock is a Canadian classic

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian icon. The stock has averaged double-digit annual returns since 1995. The current dividend stands at 7.5%.

If you read the news, you know that Enbridge is a pipeline company. It owns the largest network on the continent. It traffics 25% of North America's crude oil, plus a huge share of its natural gas.

Pipelines naturally have built-in risk mitigation. That's because they're basically monopolies. They cost billions to build, and you rarely need two competing pipelines in the same space. So, once you're in a certain market, that market is yours.

Enbridge is a particularly good investment if you're worried about the future. Fossil fuels are being phased out globally, but demand will still persist for several decades, and there's nothing on the horizon that will supplant pipelines. Plus, these companies charge on volumes, not commodity prices, giving you another cushion against volatility.

What can you expect from Enbridge in 2021? At the minimum, know the 7.5% dividend is secure. Even if capital gains total 0%, you'll still end up ahead. And if markets tank? The stock price should outperform the market, with reliable cash flows backing up the outsized dividend payment. It's a win-win.

Want maximum protection?

Want even more protection against a bear market? **Canadian Utilities** (TSX:CU) is for you. It’s similar to Enbridge, but has an even brighter long-term future. This utility stock is a great pick for any market, especially if you’re worried about volatility.

“Driven by stable dividends and fair capital growth, utility stocks have made a decent fortune for investors in the long term,” explained Fool contributor Vineet Kulkarni. “Another critical advantage of utilities is their low correlation with broader markets. Thus, utilities are generally their preferred choice in uncertain times. That’s why we may see broad market indexes fall 20% amid the recession fears, but utility stocks fall maybe just 10%,” he concluded.

Canadian Utilities is perhaps my favourite stock within the utility space. It recently greenified its generation portfolio to reduce regulatory risk, and takes a heavy rate-regulated approach to improve cash flow visibility. Did I mention the dividend has been raised every year for nearly 50 years? That’s the longest track record in Canadian history!

How to invest now

Energy stocks can be extremely volatile during a market disruption, but as Enbridge and Canadian Utilities prove, you can still find safety in this space. You just need to choose carefully.

If you’re worried, now is the time to prepare for a market correction. That doesn’t mean sell everything and convert to cash. The best path forward is to remain calm and maintain a long-term viewpoint.

With low-volatility stocks like Enbridge and Canadian Utilities, you can remain invested without sacrificing your sleep quality. It really is the best of both worlds.

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