The 2 Best Canadian Stocks to Weather a Market Crash

Description

We've heard many pundits on the Street calling for a painful market crash or correction, yet here we are at fresh all-time highs.

While it's always good to have some cash on the sidelines to be ready for market sell-offs, beginners must also realize that they're facing increasing pressure by holding cash. Inflation is expected to pick up this year, and it could erode the purchasing power of cash hoards at a rapid rate.

What does that mean for conservative Canadian investors?

Now is as good a time as any to swing at the Canadian stocks thrown into your strike zone. If you see an undervalued TSX stock, you should take action, with less regard for what some talking head on TV thinks is next in store for the markets. Sure, they'll eventually be right, but they've been shown wrong for months and don't count on them to take accountability anytime soon or make an appearance until they're proven right come the next market crash or correction.

If you're still a reluctant investor who's sitting on the sidelines, here are two top TSX stocks that I believe can weather the next market crash or correction, making them perfect for those who are fearful of buying stocks as the markets melt-up. Consider **Fortis** (TSX:FTS)(NYSE:FTS) and **Hydro One** (TSX:H), two of the best Canadian bond proxies that can provide you with a jolt of certainty.

They won't make you rich overnight as Bitcoin could, but they will help you stay rich should the markets serve up an unforeseen sell-off. So, as someone wise (I think it was Jim Cramer) once said, "you only have to get rich once."

One of the best bond proxies out there

Fortis is a core holding in my personal portfolio. It's a bomb-shelter of a stock that you'll want to have at your portfolio's core before a disaster (a market crash) strikes. The name offers a juicy 3.7%-yielding dividend that's slated to grow at a 5-6% annualized rate moving forward, thanks in part to its ambitious investment plan. For a utility, Fortis is growing quite quickly (especially in the U.S. market), which separates it from the pack.

Moreover, Fortis's operating cash flows are as solid as they come. You won't get much in the way of surprises, making the bond proxy more than worthy of the funds you would have otherwise stashed in a fixed-maturity instrument, which will only guarantee a loss of purchasing power as inflation ramps up.

At 21.1 times trailing earnings, the stock isn't dirt-cheap by any stretch of the imagination. But for the quality of earnings you're getting, I'd argue that the price of admission ought to be a heck of a lot higher, especially as value continues to shine.

The stock sports a 0.06 beta, which means Fortis stock will be less influenced by the broader markets. Come the next market crash; I suspect Fortis will still take a hit, but less so than most other names out there.

A Canadian stock I'd want to hold through a market crash

Hydro One is another snooze-worthy Canadian utility stock with a beta that's next to nil (currently at 0.18). As the markets zig, Hydro One stock will zag. All the while, you'll be able to collect a very handsome 3.4% yield.

For those unfamiliar with the name, it's an electricity transmission service provider with a monopolistic positioning in the province of Ontario. Growth has been tough to come by for the stable juggernaut, but that's not why you own the stock.

The stock can act as shocks for your portfolio, allowing it to keep its head above water come the next market crash. In recent years, the stock has climbed steadily higher, yet shares still reek of undervaluation. While there are no fixes for the firm's growth woes, at 10.1 times trailing earnings and 2.4 times sales, you're getting the name at a profound discount to my estimate of its intrinsic value range.

CATEGORY

1. Dividend Stocks
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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