3 Canadian Stocks to Buy in a Bear Market

Description

Lately, there's been a lot of talk about a "new bear market" in stocks. The big indexes aren't down much, but some well-known "hype" stocks are taking a beating this year. If you'd invested in a portfolio of meme stocks at the start of the year and held to today, you'd be hurting. On the flipside, a portfolio of value stocks would have actually done pretty well. With that in mind, here are three Canadian stocks that could perform well in a bear market.

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CN Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is a Canadian railway stock that performed extremely well in the March 2020 bear market. In March of 2020, the TSX fell 33%. CNR fell only 20% and was back to its pre-crash prices by July. By August, it had set a new high.

What makes CN Railway a good stock to buy in a bear market?

First, it's a very resilient company, with a track record of bouncing back from recessions bigger and better than ever. Second, it's in the transportation industry, which means that it will grow as long as the economy continues to grow. Third, it pays a dividend, providing certain cash income, even when the stock is down. All these three factors come together to make a stock with a high probability of coming out of a bear market better than ever.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian stock with a long, 47-year track record of raising its dividend. As a utility, it enjoys stable, resilient revenue that comes in even during recessions. Heat and light are among the basic necessities of life, and people don't cut them out when times are tough. Fortis's own history is a perfect example of that. In the 2008 and 2009 recession, Fortis increased its earnings two years in a row. In the same period, many bank stocks saw their earnings decline by more than 50%. In 2020, Fortis again produced decent results, with revenue up by $59 million. If you buy Fortis stock today, you can lock in a 3.7% dividend yield and probably watch your payout increase over time. Overall, it’s a solid stock to buy in a bear market.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is stock that you could have done very well with by buying on the dip. In March 2020, it went as low as $53. Today, it’s all the way up at $88.59 — a stunning 65% gain in just barely over a year!

What makes TD a great stock to buy in a bear market?

Well, for one thing, it pays a dividend, like other stocks on this list. This means that you get a cash payout that serves as a buffer against capital losses. Secondly, as a Canadian bank, TD is well regulated and likely to come out of any future recession unscathed. Finally, it is a geographically diversified bank, with huge U.S. retail and brokerage operations, which provide it with plenty of room to grow compared to an average Canadian bank. Overall, it’s a solid bank stock to buy when the markets are down.

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1. Bank Stocks
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3. Energy Stocks
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2. NYSE:FTS (Fortis Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:FTS (Fortis Inc.)
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andrewbutton

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