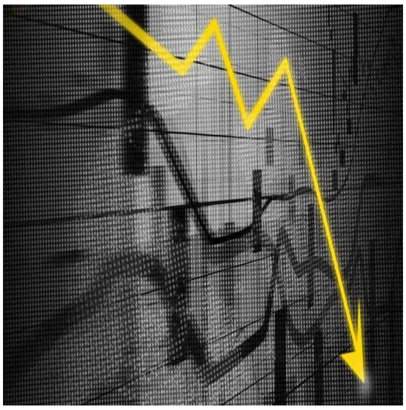

3 Safe Stocks to Buy if You're Worried About a Market Pullback

Description

A market pullback can have a devastating impact on your investment portfolio. Investors who rely upon selling their stocks to create an investment income suffer from the worst consequences. Dividend investors might suffer if a few of the companies they've bought into suspend or slash their dividends.

A market crash is something way beyond the control of retail and even institutional investors. And you can only minimize the damage by rearranging your portfolio. Ideally, you should have a significant stake in relatively safe stocks, so you can be reasonably sure about the recovery of the bulk of your portfolio. And these safe stocks might also refrain from slashing their dividends.

A safe utility stock

If you are looking for a safe dividend stock, **Canadian Utilities** (TSX:CU) is worth considering. As the oldest aristocrat on the TSX, this utility company is as safe a dividend stock as one can potentially get. It's also safe on the account of its business — i.e., utilities — which is blessed with a reliable and consistent revenue stream (i.e., consumers paying their utility bills).

The company is currently offering a decent yield of 5%. The payout ratio is still a bit high if the company keeps recovering financially from the 2020 slump in revenues and net income. The payout ratio might normalize in the next couple of quarters. The long-term capital appreciation prospects of Canadian Utilities are limited, if not non-existent. But at its current valuation, it's a decent dividend buy.

A safe banking stock

The banking sector in Canada is considered safe as a whole, but as one of the top players in the field, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) enjoys even more safety and stability. TD has an impressive presence in North America, and it has only just started to normalize after an eight-and-a-half-month bull run that pushed the stock up 47%.

The stock has already come down 8% from its yearly peak, and it's currently offering a 3.8% yield. The valuation is coming down to a manageable level as well. The rating agency Fitch has recently changed TD's outlook from negative to stable, and the bank has been awarded Canada's best investment bank in *Euromoney's* awards.

The bank reclaimed its market crash valuation around the same time that the rest of the sector did, and it's a rock-solid buy to weather future market crashes. However, you might consider buying once it reaches the full depth of the current slump for a better price and a better yield.

A safe telecom giant

While all three giants from Canada's highly consolidated telecom industry are relatively safe, **Telus** (TSX:T)(NYSE:TU) has a slight edge when it comes to the capital-appreciation potential. The telecom giant took about a year after the crash to recover to its pre-pandemic valuation and is currently trading at a markup to its pre-pandemic peak.

It's also an aristocrat of 17 years and is currently offering a juicy yield of 4.5%. The 10-year CAGR of 12% is quite decent and a bonus to its relative safety during and after the market crash. The company is heavily investing in 5G and penetrating new markets. It also recently acquired Playment, a data labeling platform — a significant step in the data market.

Foolish takeaway

The three aristocrats are not just safe in a market pullback. They are safe to hold long term, ideally until your retirement. The reliable dividends and slow but steady capital growth make them ideal components of a reliable retirement nest egg.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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Date
2025/08/21
Date Created
2021/07/24
Author
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