3 Stocks to Buy if the Market Pulls Back

Description

Lately, a lot of people have been concerned about a coming stock market crash. Stocks have rushed to new highs, yet risk factors — like the COVID-19 Delta variant and slowing economic growth — persist. In such an environment, it's wise to prepare for a little turbulence. In this article, I'll explore three TSX stocks that have the potential to rise even if the market crashes.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a top Canadian utility stock that has outperformed both the TSX and the TSX utilities sub-index over the last five years. It has a 3.6% dividend yield at today's prices and has an incredible 47 consecutive years of dividend increases behind it. In 2020, Fortis stock fared pretty well, despite the recession ongoing at the time. It fell less than the market averages and recovered to its pre-COVID highs quickly. As a regulated utility, Fortis enjoys unusual revenue stability. Even in recessions, people won't cut out heat and light. As a result, utilities like FTS tend to perform adequately, even during recessions. FTS definitely is not a stock you'll ever get rich off, but it's one that could at least perform adequately in a market downturn.

CN Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is Canada's biggest railway company. Its stock performed very well in 2020, despite a major earnings decline brought on by the COVID-19 pandemic. It appears as though investors bid up CNR stock in 2020, expecting its earnings to turn around in 2021. In the second quarter, we saw that starting to happen, with earnings up some 12% year over year.

There are a lot of exciting things going on with CN Railway this year. The company is about to close its buyout of one of the largest railroads in the U.S., and earnings are set to rise in the post-COVID recovery. We aren't totally out of the woods yet. There are real concerns that the Delta variant could lead to another round of lockdowns in the fall. That would hurt CNR's earnings. But overall, this is a resilient stock that can perform adequately in even the most adverse market conditions.

iShares S&P/TSX 60 Index Fund

Moving from individual stocks to ETFs, we have **iShares S&P/TSX 60 Index Fund** (TSX:XIU). Canada's most popular index ETF, it's built on the 60 largest Canadian stocks by market cap. The fund sports a 2.5% dividend yield, has a low 1.6% fee, and has outperformed most other Canadian funds over the last five years.

Why is XIU a great pick for a market pullback?

One word: *diversification.*

In an economic downturn, you never know when the adverse conditions will cause an individual company to go bankrupt and be delisted. But with a diversified basket of stocks, you minimize the unsystematic risk, leaving you with a portfolio that's likely to start climbing again sooner or later. With 60 stocks, XIU has ample diversification, and gives you broad exposure to the Canadian equities markets. It's definitely a fund worth considering for those wary of a market downturn.

CATEGORY

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)
5. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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