Red Alert: 3 Ways to Protect Your Capital From a Market Pullback

Description

Is the market on the cusp of a pullback? Will the spreading COVID variants and rising inflation rate put an end to the TSX's rally? These questions and more need answers if you have money invested in stocks. No one can predict when a severe correction will happen. However, if the red alert is up, prepare to protect your capital.

1. Don't go with the flow

There will be selling pressure when the market starts to decline. The natural tendency is to panic. Avoid the herd mentality and don't go with the flow. Sometimes your fear could outweigh the impact of actual factors that unsettle the market. Panic will do more harm than good to investors.

2. Stay the course

The temptation to sell is high when people are in panic mode. Historically, stocks almost always rebound after a crash or pullback. If you're invested, don't time the market to cash in, because you can't. Instead, stay the course and ride out the downturn.

3. Move to safety

Market meltdowns are inevitable. Before it happens, moving to safety is the best recourse. Rebalance your portfolio to make it crash-proof. **Emera** (TSX:EMA) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) are top-of-mind choices of risk-averse investors because the businesses are stable regardless of the market environment.

High-quality, regulated utilities

A company that generates, transmits, and distributes electricity and gas will stand out, even during recessionary periods. Emera boasts of a regulated asset portfolio. The $14.76 billion company derives 95% of its earnings from regulated operations. Besides the utility companies in Canada and the U.S., investments in renewable energy assets are growing.

The core strength of Emera is its high-quality regulated utilities in North America. In Q1 2021 (quarter ended March 31, 2021), the 5.06% increase in adjusted net income versus Q1 2020 shows the recession-resistant qualities of Emera. This year, management will invest more (+$2 billion) to increase its rate base by 6%.

In subsequent years or until 2023, Emera has a $7.4 billion capital investment plan in place. Management forecasts between 7.5% and 8.5% rate base growth over the same period. The utility stock trades at $58.19 per share (+11.32% year to date) and pays a generous 4.38% dividend.

Dividend safety

CNR is a suitable core holding, whether you're a veteran or novice investor. The $95.96 billion fully integrated rail and transportation services company is nearly twice the size of its rival, **Canadian Pacific Railway**. It's also North America's leading transportation and logistics company.

How can you go wrong with a rail carrier that services three major petrochemical centers in the region? CNR's footprint in the continent is extensive, including access to three vital coasts. Moreover, the more than 300 million tonnes of cargo transported yearly make it the top supply chain player.

CNR has proposed to buy American railway operator **Kansas City Southern** for $33.6 billion. Regulators are reviewing the bid and will decide on the bid soon. Meanwhile, you can purchase the industrial stock for $135.56. While the dividend yield is a modest 1.81%, the payouts should be safe and sustainable.

Well prepared

The noise regarding a potential market selloff like in March 2020 is getting louder. However, investors should remain calm. Public health officials and the Bank of Canada are well prepared to combat COVID-19 and keep inflation under control.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/21
Date Created
2021/08/05
Author
cliew