Are We on the Brink of a Market Correction?

Description

Talks of a market correction get louder, as September, the worst month for stocks, draws near. However, it's hard to imagine a big tumble with TSX's continuing rally. Canada's main stock market index (+17.45%) outperforms its U.S. counterparts year to date, except the S&P 500 index (+18.12%).

Despite the incredible bull run, the possibility of COVID-induced shutdowns remains an impediment to optimism. The question of many if a market correction happens is, how far will the TSX drop? Its 12.34% drop on March 12, 2020, was the most significant single-day decline since 1940.

If we are on the brink of a market correction, it would be wise to move to safer grounds. **NorthWest Healthcare Properties** (TSX:NWH.UN) and **Fortis** (TSX:FTS)(NYSE:FTS) can calm your fears as the Delta variant rages. Their stock prices could drop but there are unlikely to be disruptions in dividend payments.

Biggest threat

The biggest threat at the moment is the fast-spreading, deadlier Delta variant of COVID-19. The economic recovery could stall, as global economies adjust their reopening plans. On August 7, 2021, Ontario reported 378 COVID-19 cases. According to the *Toronto Star*, it was the biggest increase since June 2021.

Thus far, 63.3% of the total population is fully vaccinated this year, while 71.6% have had at least one shot. Meanwhile, the TSX seems oblivious to the Delta threat. In the last two trading days, the index closed higher and remains in record territory. Although the July jobs report missed consensus estimates, energy and financial stocks advanced on August 6, 2020.

Healthcare infrastructure

NorthWest Healthcare is perhaps one of the best options in the real estate sector. The $2.77 billion real estate investment trust (REIT) has a stable rental business. It owns and operates a diversified portfolio (186 properties) consisting of hospitals, clinics, and medical office buildings globally.

Moreover, the REIT's joint ventures and long-term contracts with established hospital operators make it a defensive stock. In Q1 2021, the total assets under management (AUM) increased 16.2% to $7.7 billion compared to Q1 2020. Likewise, cash collection and portfolio occupancies were 98.6% and 97%. Net income, however, fell slightly by 2.87%.

Nonetheless, the 6.20% dividend should be sustainable, given the weighted average lease expiry of 14.3 years. For international healthcare infrastructure, it's longer at 17.1 years. As of August 6, 2021, the REIT trades at $12.90 per share — a 6.17% year-to-date gain.

Buy now and hold forever

Fortis offers capital protection and delivers steady income regardless of market conditions. It isn't a high flyer, but its 48 years of consecutive dividend growth makes it compelling to own this utility stock. The $26.93 billion company pays a 3.53% dividend. You get value for money and peace of mind at $57.16 per share.

You don't need to deep dive into Fortis's financials. The 5-7% rate base growth alone should tell you that dividend payments are lasting. Management even promised to raise dividends by 6% annually through 2024. The utility stock is best in tax-exempt and tax-sheltered investment accounts.

The utility sector is generally dull, but not if you own a world-class name like Fortis. It's one of the best, if not the TSX's best-diversified conglomerate utility. The bond-like attribute is why risk-averse investors buy the stock and hold it forever.

Overcome the headwinds

Understand that the TSX's superb performance in 2021 isn't permanent. Besides the new COVID strains, unknown domestic and global events could trigger a market correction. Your best defence is to stick to assets that could overcome the coming headwinds.

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