3 Safe Stocks to Buy in a Market Pullback

Description

Stocks got off to a rocky start this week after disappointing economic data from China and renewed concerns of a COVID-19 outbreak. The Delta variant is sweeping the globe, leading to public health measures being reintroduced in China, Australia, and New Zealand. This development has led to rumbling about a future market crash.

In such an environment, it's wise to prepare your portfolio for the worst. While you can never be sure that a market pullback is coming, it's always wise prepare for one. With that in mind, here are three Canadian stocks that should be pretty safe to buy in a market pullback.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility stock that has a long history of surviving recessions unscathed. It grew its earnings in 2008 and 2009, despite the recession that was going on at the time. In 2020, it also grew its adjusted earnings, although GAAP earnings declined. 2020, like 2008 and 2009, saw a recession — this one caused by the COVID-19 pandemic.

What makes Fortis so resilient?

A big part of it is just the fact that it's a utility. Utilities tend to perform well in down markets because their service is essential. Even when unemployed, people don't cut out heat and light. So, utilities' revenue is very stable. All utilities have this advantage, but Fortis has performed better than the average utility over the last five years. That's largely due to its expansion strategy, which has seen it take over smaller utilities across Canada, the U.S., and the Caribbean. It's a solid dividend-growth play that can survive just about anything the market throws at it.

Dollarama

Dollarama (TSX:DOL) is another recession-resistant stock that should be able to survive a market crash. Dollar stores are among those businesses that actually thrive in negative economic circumstances. When people become unemployed, they shift to buying lower-priced versions of items they already buy. That benefits stores like Dollarama, which carry such items. This was confirmed by last year's results. Dollarama had a relatively strong year in 2020, despite the recession that was happening at the time, with sales up 3.6%. Net income decreased, because COVID-19 led to higher costs and some individual locations having to shut down. Still, Dollarama did better than the average retailer in 2020. Its stock should be pretty safe in the event of a recession-caused market crash.

Walmart

Moving from Canadian stocks to U.S. stocks, we have **Walmart** (NYSE:WMT). Walmart is, like Dollarama, a discount retailer that tends to see sales spike during recessions. In the 2008/2009 recession, its sales skyrocketed, thanks to consumers seeking out lower-priced alternatives to the items they use every day. Walmart is unique among discount retailers in that its products are highly varied, ranging from electronics to clothing to grocery. This is in contrast to a dollar store like Dollarama that only offers a limited selection. When the economy turns sour, Walmart is one of the first places consumers head to save money. So, this is a great stock to be holding in any stock market crash brought on by poor economic fundamentals.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:DOL (Dollarama Inc.)
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