



4 Stocks to Fight the 4th Wave

Description

Have you heard about the fourth wave of coronavirus? So, you must know the fourth wave is nothing like previous waves. There will be restrictions in selected areas, and privileges may differ depending on your vaccine status. For instance, only the vaccinated population travelling from abroad will be allowed in Canada. But the overall economy will remain open. However, the governments are keeping a close watch on how the reopening will impact the virus spread.

Fight the fourth wave

None of us know what the fourth wave holds. The fourth wave could bring two scenarios: a slower reopening with social-distancing restrictions or another lockdown. Momentum stocks are those that ride the trend and show significant growth. Here are four stocks that could help you fight the fourth wave.

Enghouse Systems

Enghouse Systems ([TSX:ENGH](#)) rode the work-from-home trend during the pandemic. Its 2019 acquisition of video software solutions company Vidiyo turned into a pandemic catalyst. The lockdown created a sudden surge in demand for video conferencing and boosted Enghouse's revenue, which surged 31% in 2020 compared to 13% in 2019. Enghouse stock doubled in four months (March 20, 2020, and July 10, 2020) when other non-tech stocks fell.

As Enghouse couldn't sustain the pandemic revenue levels, its fiscal 2021 [second-quarter](#) revenue fell 16.7%. The stock dipped 33% from its pandemic high and has now started to recover. When all other recovery stocks dipped (June to August), Enghouse stock surged 18.5%. In both cases, Enghouse moved in the opposite direction that the recovery.

Kinaxis stock

Another momentum stock is **Kinaxis** ([TSX:KXS](#)), which offers supply chain planning software. This is a resilient stock that will grow in either case. If the economy reopens in full swing, the industrial supply chain will have pent-up orders to fulfill, thereby creating demand for Kinaxis solutions. If there is

another lockdown, e-commerce orders will pick up as the holiday season approaches.

Just like Enghouse, Kinaxis stock more than doubled between March and October 2020 and fell 36.6% during the recovery period (November 2020 to May 2021). In the last three months of a bear market, Kinaxis stock surged more than 45%. These two momentum stocks ride against the tide.

This feature makes these stocks a good defence that can mitigate the downside from the fourth wave.

Resilient dividend stocks

Remember, the momentum stocks can only mitigate your downside when the overall market is bearish. What if the economy recovers and the world returns to where it was in 2019? You should be prepared for that, too.

Telecom giant **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is riding the [5G](#) wave, which the pandemic stalled. BCE has accelerated its investment in the 5G infrastructure, and it is now reaping the benefits. Its second-quarter revenue and adjusted EBITDA surged over 6%, which is way above its average growth of 2%.

The company still has negative free cash flow, as it is investing capital on the 5G rollout. This could slow its dividend growth for some time. But that is offset by the stock price rally of 19% since March. Such a rally from a stock that gives a 5.39% dividend yield is remarkable. If the recovery fades and there is another lockdown, you can enjoy the dividend income.

Another [dividend](#) generator stock is **Canadian Utilities** ([TSX:CU](#)) that supplies electricity and natural gas to Alberta, Latin America, and Australia. Given the 5G rollout, electric vehicle (EV) adoption, and growing reliance on technology, electricity consumption per user will only grow. The ever-growing demand for electricity will encourage Canadian Utilities to continue investing in power generation and transmission infrastructure. It will increase cash flow by widening its reach.

The pandemic reduced industrial consumption, pulling down Canadian Utilities stock, but that increased its dividend yield. The stock has rallied almost 25% from its March 2020 dip, but you can still lock in a 4.94% dividend yield before the stock recovers to its pre-pandemic levels.

Final thoughts

A robust portfolio has a mix of momentum, dividend, and resilient stocks. The above stocks can give you dividends and growth in a bear and a bull market.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)

2. TSX:BCE (BCE Inc.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:ENGH (Enghouse Systems Ltd.)
5. TSX:KXS (Kinaxis Inc.)

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