



## Buy This Stock Before a Market Correction

### Description

Following what can only be described as incredible gains for much of 2021, the market continues to inch higher. That growth raises concerns about volatility and a possible looming market correction. To counter that volatility, adding one or more defensive stocks to your portfolio is recommended before any [bear market](#) sets in.

One such stock to consider is **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)).

### Why Fortis?

As volatility increases, investors will turn towards top defensive stocks. Utilities are great examples of defensive stocks. From the stable and reliable revenue that utilities generate to the handsome dividends they offer, there's something for [every investor](#).

In the case of Fortis, prospective investors are getting a true gem. Fortis is one of the largest utilities on the continent. In total, the company has 10 different utility operations spread across Canada, the U.S., and the Caribbean.

Those utility operations include serving 3.4 million utility customers across both electric and gas segments. This means that Fortis is not only a great defensive stock, but it's also well diversified. That factor alone makes Fortis a great option to have before any market correction sets in.

The defensive stability that Fortis provides to investors stems primarily from the unique business model that utilities adhere to. What does that mean? As long as Fortis continues to provide utility services, the company will continue to generate revenue.

Fortis will report on the third fiscal next month. Until then, we can look back at the results from the second quarter. In that quarter, Fortis earned \$259 million, or \$0.55 per share, on an adjusted basis. The results were largely flat when compared to the same period last year.

## What concerns are there with investing in Fortis?

There are two big criticisms when it comes to utilities. First, there's a stereotypical view that they lack growth. Specifically, there are those that believe utilities lack the incentive or financial muscle to invest in growth. If the utility is providing investors with a handsome dividend, how could it invest in growth?

This couldn't be further from the truth. Apart from offering an impressive dividend (more on that in a moment), Fortis continues to aggressively expand. In recent years, those growth opportunities have shifted away from large-scale acquisitions. Fortis is now focusing on individual projects as part of a larger capital portfolio. In the face of a potential market correction, this furthers the defensive appeal of Fortis.

The second criticism stems from the opinion that traditional utilities are big, dirty businesses. The risk here is the increasing awareness of and transition to renewables. Again, Fortis dispels this myth.

The company has earmarked a whopping \$19.6 billion over the next few years for a slew of improvements. The massive capital plan includes both upgrades to existing facilities as well as transitional costs towards renewable energy sources.

## What about income?

One of the most attractive aspects of investing in utilities is the [dividends](#) that they offer. In the case of Fortis, that dividend works out to a respectable 3.46% yield. Let's put that earnings potential into some context with an example. Allocating \$25,000 into your TFSA will earn \$865 during the first year alone. When factoring in reinvestments, future dividend hikes and growth will see that income rise quicker.

Speaking of dividend hikes, this is yet another reason to consider Fortis. The utility has provided investors with consecutive annual bumps to that dividend for 47 straight years. Even better, Fortis is forecasting to continue that practice with an average annual 6% guidance through 2025.

## If a market correction is coming, you need Fortis

No investment is without risk. Fortunately, in the case of Fortis, that risk is minimal, and the long-term rewards are high. Fortis offers something for every investor. There's the reliable (and stable) business model, the handsome dividend, and an aggressive stance towards growth.

### CATEGORY

1. Dividend Stocks
2. Investing

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