Is Your Money Safe if the TSX Rally Ends Today and the Market Tanks Tomorrow?

Description

The coronavirus breakout in 2020 harmed global stock markets not only severely but abruptly. In Canada, the TSX suffered its biggest single-day drop since 1940 on March 12, 2020. The shock was so extensive in that the index erased four years of gains. Fortunately, the bear market didn't last long, as the index managed to end the year with a 2.17% overall return.

Many businesses have yet to recover fully from COVID-19's fallout. Special mentions are airline **Air Canada** and movie theater operator **Cineplex**. Also, people who reacted late to the market crash sold their stocks at a loss.

However, there were investors that didn't panic but stayed on. Perhaps they were confident their stock portfolios could endure the economic downturn. Assuming the TSX's rally ends today and suddenly tanks tomorrow, is your money safe? Will you be able to recover the losses when the market rebounds?

Tried and true investments

Royal Bank of Canada (TSX:RY)(NYSE:RY) and **Enbridge** (TSX:ENB)(NYSE:ENB) are investment opportunities of a lifetime. Both companies have proven time and again they are tried-and-true investments, regardless of the market environment. If you have them in your portfolio, your money is 100% safe, more or less.

Stronger from the health crisis

Canada's largest bank didn't have the armour to prevent its stock from falling. The share price sunk to its lowest price on March 23, 2020 ($67.25). Management knew what was coming and that it had to raise its provision for credit losses (PCLs) to unprecedented levels. Other big banks did the same, so they could all absorb the potential delinquencies.

Still, RBC rewarded investors with a gain (6%) in 2020. As of November 17, 2021, the blue-chip stock trades at $132.16 per share, or 97% higher than its COVID low. Furthermore, investors are ahead 31% year to date.

Since credit quality didn't deteriorate as expected, the $189.8 billion bank even had $9.9 billion in excess capital after Q2 2021. Today, discussions center around dividend hikes by big banks following the lifting of restrictions on dividend increased by the banking regulator. RBC pays a decent 3.27% dividend but might announce higher payouts soon.

Resilient as ever

The energy sector was the worst performer in 2020. Many of its constituents, whether small cap or big cap, had to temper their dividends or cut them altogether. They had to preserve capital and protect the balance sheet. Meanwhile, Enbridge didn't resort to such move because it didn't need to.

COVID-19 and the oil price slump didn't spare the top-tier energy stock. The price did tank to $30.40 on March 23, 2020. Investors eventually lost 15% for the year but had a financial cushion in the Enbridge's high dividend. The $102.72 billion energy infrastructure company didn't slash the dividends.

This year is the banner year of the energy sector. It's the TSX's top-performing sector year to date with its 80.1% gain. The financial sector is a distant second with +30.15%. Enbridge outperforms the broader market at +33.38 versus +24.20%. The share price is $50.70, while the dividend yield is a generous 6.59% if you invest today.

No fear or panic

The stock market is never stable and market corrections are inevitable. You don't need to panic or fear them if RBC and Enbridge are your anchors.

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