



Bear Market Before the Rate Hike? TSX Slides 2.25%

Description

Global stock exchanges, including the **S&P/TSX Composite Index**, had a selloff on November 26, 2021. Canada's primary benchmark lost 487.30 points to close lower at 21,125.90. Apart from the 10% decline in crude prices, the discovery of Omicron (the new COVID variant) unsettled the financial markets.

Are we looking at a [bear market](#) before the Bank of Canada hikes its [interest rate](#) in 2022? A sustained downward trend and at least a 20% decline are signs of a bear market. The **TSX** had a four-day losing streak beginning on November 19, 2021, although it rebounded the following day prior to Friday's plunge.

Investors are in panic mode and fear a return to lockdowns and travel bans. Many will again seek safety nets for any eventuality. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) are the go-to stocks if you need capital protection. Also, both are excellent choices to counter inflation.

Bear market territory

In March 2020, the TSX crossed bear market territory following the official announcement of a global pandemic by the World Health Organization (WHO). The index fell 12.34% to 12,508.50 on March 12, 2020, its most significant single-day drop since 1940. The market rout continued and sunk the TSX further to 11,721.40 five trading sessions later.

Fortunately, the TSX displayed resiliency amid the spreading coronavirus. It picked up steam in November 2020 and then went on a bull run. On June 4, 2021, the TSX breached the 20,000 for the first time. On November 12, 2021, it posted an all-time high of 21,768.50.

The Friday correction wasn't similar to the carnage in March last year. However, Omicron is now the biggest risk to stock markets. According to WHO, the initial review indicates an increased rate of reinfection. On November 28, 2021, Canadian health officials confirmed the presence of the new COVID variant. Two individuals who came from Nigeria were found to be infected.

Nearing a rare feat

Fortis is the perennial choice of risk-averse investors. The utility stock is recession-resistant, first and foremost, and a Dividend Aristocrat no less. This \$26.44 billion well-diversified electric and gas utility company has raised its dividends for 48 consecutive years. It's two years away from earning "dividend king" status (50 years dividend growth streak).

Management's outstanding promise to investors is a 6% average annual dividend growth of 6% through 2025. As of November 25, 2021, the defensive stock trades at \$55.93 per share (+11.23% year-to-date) and pays a 3.83% dividend.

Scaling across sectors and geographies

Brookfield Infrastructure CEO Sam Pollock is confident of its ability to capitalize on new investment opportunities of scale across its target sectors and geographies. The \$21.92 billion flagship of **Brookfield Asset Management** in the infrastructure space is fresh from its successful acquisition of Inter Pipeline.

In the nine months ended September 30, 2021, BIP's net income rose 1,415.87% to US\$955 million versus the same period in 2020. Its funds from operations also increased 16% to US\$422 year over year. In Q3 2021, the board of directors approved a 5% dividend increase. The share price of this [buy-and-hold](#) stock is \$71.85 (+17.35% year to date), while the dividend yield is 3.52%.

Twin threats

Rising inflation and a new COVID variant could prevent the TSX from regaining momentum. Thus, a bear market in December 2021 and an inevitable rate hike in 2022 could dampen investors' sentiment.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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