Retirees: 3 Stocks to Buy in a Dangerous Market

Description

History has proven time and time again that even though financial fundamentals should be the primary trigger for the rise and fall of stocks, the role is taken up by speculation. And speculation is entirely intertwined with mass psychology.

For example, many retail investors now subconsciously tie COVID with a market crash. And whenever there is a rise in COVID cases or another wave builds up, the market starts to look dangerous and on the precipitous of an upcoming crash, even when the underlying financials are strong.

So, if you think the market is currently dangerous, three stocks might help to anchor your portfolio a bit more solidly and give you a sense of ease and stability.

A "safe" retail stock

Retail businesses suffered greatly during the pandemic, primarily due to the lack of footfall, though that difference is shirking thanks to e-commerce. However, certain retail businesses proved they have the potential to survive the potential, and grocery is one of them. So, investing in a grocery giant like **Loblaw Companies** (TSX:L) is a reasonably safe choice.

The company survived quite well during the 2020 crash. The stock barely fell during the original crash, but it did slide at a shallow angle all the way into 2021. But in early 2021, the stock started to rise, and it grew over 66% in less than a year.

Right now, the stock is quite bullish, and even though it's not too overvalued, you might consider waiting for the stock to normalize a bit before buying. And if enough fear accumulates about a dangerous market, the stock might start moving in the opposite direction.

A conventional utility stock

Utility companies like **Canadian Utilities** (TSX:CU) are "default" safe stocks. That's because every household and commercial building needs utilities, and after housing and medical, it's usually the most necessary expense that people seldom skirt away from. This makes it inherently different from businesses that rely upon consumers' discretionary spending for their revenues.

Canadian Utilities is a must-buy in a dangerous market for another reason: its stellar dividend history. It's the oldest Dividend Aristocrat in the country, and if it continues its dividend-growth streak for one more year, it will become a Dividend King by the U.S. market standards (50 years of consecutive dividend growth). And the 4.9% yield makes it a practical Dividend Aristocrat that can meaningfully contribute to a dividend-based income.

A renewable energy and utility company

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is an excellent pick for a dangerous market for two reasons: its utility business and renewable-focused power generation. The latter offers the company long-term safety, because if more B2B clients sign long-term contracts for their green power, the company will be set for years or even decades, with predictable costs and revenues.

The utility business is inherently safe, like most other utility businesses. The company has an international reach though most of its clientele is North America. It has been around for about three decades, so it has put down deep roots in the utility market in the region and has a consistent clientele. The combination of the capital-appreciation potential and a 4.9% yield makes it an excellent pick for more than just safety.

Foolish takeaway

The three safe stocks can help your portfolio through market crashes without a significant dip in the capital and ensure the sustainability of dividend-based income. All three are Dividend Aristocrats, and even though its 1.4% yield can't hold a candle to the 4.9% of the other two, its short-term growth and capital-preservation potential make it a good buy, nevertheless.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:L (Loblaw Companies Limited)

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