



## This Boring Stock Could Lead to Exciting Returns

### Description

Gone are the days where you can just pick up any red-hot growth stock touted by the talking heads on TV (or the Reddit WallStreetBets community) and feel like a genius in the next day or week!

Indeed, boring has become the new beautiful in a market environment that's full of [volatility](#) and valuation resets. The higher the growth, the more punishment, risk, and volatility that you will have to put up with as an investor.

That's thanks to rising interest rates. Rates aren't great news for corporate earnings, and they're terrible news for companies that aren't profitable or only see sustained GAAP profits way out into the future. You've probably heard about the negative consequences of higher rates and their impact on growthy securities for well over a year now. In this piece, we'll not go into greater detail about how to buy growth stocks after their plunges on the back of a faster-than-expected rate-hike schedule.

### Risks are everywhere in this stock market

Given the move in the 10-year U.S. note, it seems like seven rate hikes could be in the cards. And that's despite the many crises that have impacted the global economy. From the invasion of Ukraine to COVID, we are nowhere near being out of the woods yet.

That said, the economy is staying resilient. How long that will last, though, remains a [mystery](#). Some see a recession in the near future, with the U.S. yield curve quickly approaching an inversion. Indeed, the inverted yield curve is an ominous indicator of a recession. Given we just rose out of the 2020 coronavirus recession, the last thing we need is another contraction. Indeed, the double-dip recession may come to be if a peaceful end to the Ukraine-Russia crisis is not reached sometime soon.

In any case, you need to stick with the long-term plan and not feel obliged to make huge changes to your game plan, even if you deem that the near-term foundation is somewhat suspect.

Should you take profits if you're light on cash, even without a planned place to put it with inflation above 6%?

That depends on how much cash you're comfortable holding amid inflation and what you plan to do with it. If you need dry powder to be ready for the next market crash or correction, there's nothing wrong with lightening up. If you're undiversified, overweight risk, and need a less-choppy place to invest, then feel free to lighten up and treat the recent weekly rally as an opportunity to reallocate. For everyone else, though, don't overreact when you're in a stressed state. A calm, cool, collected mind is needed to make wise investment decisions.

## Hydro One: Boring is the new beautiful

In a market where boring is beautiful, consider stocks like **Hydro One** ([TSX:H](#)); it's probably one of the most uneventful and boring names out there. It's incredibly well run with a monopolistic share of Ontario's electricity transmission lines. Monopolies and oligopolies are the place to be if you're looking for peace of mind.

With a massive moat and sky-high barriers to entry, Hydro One has an operating cash flow stream that's essentially protected by a Fort Knox-like moat. While the width of Hydro One's moat can make it harder for the firm to grow, given the regulations based on the firm's business structure and industry, I think the stock is a great glimmer of value in a rocky, inflationary environment.

The power distribution firm boasts a solid 3.3% dividend yield to go with a modest 20.2 times trailing earnings multiple. You won't get much in the way of growth, but what you will get is a business built to do well in the face of international crises, economic downturns, and everything in between.

## Recession or worse coming? Hydro One stock could have your back

Billionaire guru Carl Icahn sees a recession or worse as a possibility at this juncture. Should you expect one? Probably not. But should you at least prepare for one? I'd say that would only be prudent investment management. In terms of prudence, it doesn't get any better than a boring company like Hydro One.

### CATEGORY

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