TFSA Investors: 3 Stocks to Buy as the Market Drops

Description

It may be an understatement to say that the market has been very volatile this year. For the most part, investors have seen stocks fall across the board. Again, that story played out on Tuesday. The **S&P/TSX Index** fell over 1.5% by the time the market closed. With that, investors are starting to wonder "What should I do with my portfolio?" In this article, I'll discuss three stocks you should buy as the market drops.

Turn to utility companies

During times like these, investors should look for reliable companies. By that, I mean companies that are positioned for success regardless of what the economy looks like. If those companies are able to continue generating a steady revenue, their stocks should follow over time. With that in mind, I would suggest adding some utility companies to your portfolio.

In particular, investors should take a close look at **Fortis** (TSX:FTS)(NYSE:FTS). It provides regulated gas and electric utilities to 3.4 million customers around Canada, the United States, and the Caribbean. Fortis is well known for being a solid dividend stock. It has managed to pay a dividend for a long time, and even holds the second longest dividend-growth streak in Canada.

The Canadian banks are also reliable

Investors should also consider buying one of the banks. These companies aren't immune to market drops. However, the dominance of the Big Five is so formidable that investors should be able to remain confident in these companies during market downturns. Investors could do well by investing in the company they bank with, assuming they're happy with the service received.

If I had to choose one bank to invest in, it would be **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). The reason Bank of Nova Scotia stands out among its peers is because of the diversification in its revenue sources. According to its most recent annual report, nearly a third of Bank of Nova Scotia's earnings come from its international business. That means if its Canadian business were to falter in any year, it could lean on the strength in other regions to help prop up its revenue.

Buy this railway behemoth

Finally, investors should consider buying one of the Canadian railway companies. In particular, **Canadian National Railway** (TSX:CNR)(NYSE:CNI). Although both large railway companies stand out as excellent stocks to hold, I believe that Canadian National Railway has a slight edge. It operates the largest rail network in the country, with nearly 33,000 km of track.

Canadian National is also an excellent dividend stock, having increased its dividend in each of the past 25 years. That accomplishment makes it one of 11 stocks listed on the **TSX** to reach that milestone. Canadian National's payout ratio currently stands at 35.7%. That suggests that the company could continue to comfortably increase its distribution over the coming years.

Foolish takeaway

As the market continues to be volatile, investors should seek refuge in reliable companies. These are companies that can remain strong regardless of what the economy looks like. Investors have a lot of options in the utility, banking, and railway industries, in particular.

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