Retirees: Stable Stocks to Buy Amid a Market Selloff

Description

The market selloff is back in full force, and many retirees who've allocated more of their cash positions into stocks are probably wondering what they ought to be doing next. It's a bad situation for many retired investors to have one's stock portfolio down considerably while inflation continues running ridiculously hot. In the United States, inflation is nearing 9%. It could enter double-digit territory, and nobody knows if the U.S. Federal Reserve will be able to drag it much lower without sparking a recession.

Undoubtedly, the Bank of Canada has also been too slow to tame inflation. In Canada, it's slightly lower, but it's still at problematic levels. The price of living is skyrocketing, and for retirees, such inflationary pressures could introduce cracks in one's nest egg.

It seems terrible right now, and nobody knows what the future holds. A worst-case scenario sees stagflation and a best-case scenario sees a modest slow in GDP, with inflation returning to the more manageable 3-4% level. While the 2% target seems unrealistic over the medium term, I think that investors should be prepared to manage both risks. Inflation is a serious risk to savers, while the GDP-slowing effect of rate hikes could add more negative momentum in this market selloff.

Retirees should not panic, though. These horrific times won't last forever. If anything, a properly diversified portfolio of value and defensives should be enough to help investors navigate through the much choppier waters.

More rate hikes ahead? Is a recession inevitable?

Now, you don't need to look to the fast fallers like **Shopify** stock. Shopify is essentially sitting at ground zero of the market correction. Shares may or may not be undervalued at this juncture. This ultimately depends on where rates will settle in two or three years. Right now, around 3% seems to be the consensus. That said, more aggressive rate hikes could send rates closer to the 4-5% level. Perhaps 6% could be in the cards if central banks really want to stomp out inflation quickly.

Undoubtedly, 4-6% rates would be detrimental, not only to growth stocks, but the broader basket of equities. Fortunately, I don't think rates at north of 4% are needed to get rid of inflation. Rather, a very fast move towards 2.5-3% may be enough. With a more data-driven approach, I think retirees can pick away at the fallen stocks on the way down. Don't time the markets. Don't time the Bank of Canada's moves. Simply look to individual businesses, evaluate their balance sheets and be ready to buy on dips gradually over time.

Hydro One stock: Stability and boring cash flows in times of turmoil

With more big banks increasing their odds of recession, healthcare and utilities may be the assets to buy. In this piece, we'll look at one of the most defensive utilities in this market. **Hydro One** (TSX:H) is a boring stock, but it was actually in the green on Tuesday's brutal session of trade that saw the Nasdaq index sink nearly 4%, with higher-growth firms like Shopify finishing the day down over 6%!

Hydro One's outperformance is due to the firm's monopolistic positioning over Ontario's transmission lines. Due to its dominant, wide-moat business, it's been hard to grow. Monopolies are subject to higher regulation. Still, this is not the environment to look for growth. If anything, certainty ought to be in high demand! And with Hydro One stock, certainty is what you'll get. Though the stock will fluctuate, the operating cash flow streams are protected by sky-high barriers to entry. Further, the firm should be able to better dodge and weave through inflation, as government regulators allow for fair price increases.

Indeed, boring is beautiful these days. And retirees should insist on new buys being as boring as possible to steer clear of excess volatility.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/08/15
Date Created
2022/04/28
Author
joefrenette