Safe Stocks for a Market Drop

Description

Market corrections are not easy to sit through. Even experienced investors who lived through the dot-com bubble of 1995-2001, the global financial crisis of 2007-2008, and the pandemic market crash of 2020 can feel butterflies in their stomachs when the market falls significantly.

That said, there are safe stocks for a market drop. These stocks have below-market volatility, robust balance sheets, and persistent earnings growth in the long run. Here are some examples of safe Canadian stocks.

Fortis stock

Not only is **Fortis** (TSX:FTS)(NYSE:FTS) a low-volatility stock, but it also has the other good qualities listed earlier, and then some. Yahoo Finance indicates that its recent beta is 0.11. This means that if the stock market rises or falls 1%, Fortis stock will rise or fall about 0.11%, which is hardly any volatility. In fact, while the Canadian and U.S. stock markets have dropped in the last month or longer, Fortis stock seemingly hasn't been hit by the downdraft at all.

The regulated utility generates relatively stable earnings that increase in the long run, as its distribution and transmission assets bring in predictable earnings. To illustrate, over the last two decades or so, Fortis only had four years of earnings drop. Its adjusted earnings per share dropped about 1% in three years and 6% in one year. These dips were negligible in the bigger picture, because they were small and more than recovered in the subsequent year.

Fortis stock is also awarded an investment-grade S&P credit rating of A-. It is one of the most prominent dividend stocks on the **TSX** for having increased its dividend every year for close to half a century. Currently, the dividend stock yields 3.3%.

Unfortunately, the stock appears to be fully valued now. So, in my humble opinion, it's not a good time to buy. Conservative investors should seek opportunities to buy Fortis stock at a good valuation, after which it would be a relatively safe stock for a market drop. So, if you already own the stock from lower levels, it's a good long-term hold for increasing passive income.

Royal Bank of Canada stock

While Fortis stock is a leading North American utility, we have **Royal Bank of Canada** (TSX:RY)(NYSE:RY) stock leading the big Canadian banks. Its recent beta is 0.78, which means if the stock market rises or falls 1%, RBC stock will move about 0.78% in the same direction.

The big Canadian bank has built a diversified business across personal and commercial banking (about 37% of fiscal 2021 revenues), wealth management (27%), capital markets (21%), insurance (11%). Its diversified operations should support improved stability for its earnings through economic cycles. In the past 10 years, it increased its adjusted earnings per share at a compound annual growth rate (CAGR) of approximately 9.5%. In the period, it provided healthy dividends that increased at a CAGR of about 7.6%.

RBC stock is also awarded an investment-grade S&P credit rating of AA-. The dividend stock is fairly valued right now. So, it's a reasonable place to buy some shares for investors who are interested in the leading bank.

CATEGORY

1. Dividend Stocks
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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

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