Worried About a Correction? Buy These 3 Stocks

Description

On average, it should be expected that the market will fall about 10% every year and a half. Once every four years, we tend to see a decline of about 20% in the overall market. All this to say, corrections and downturns are normal. Investors shouldn't be worried about them. Instead, investors should take those opportunities to find deals to take advantage of. However, if you are worried about a correction, you can go defensive with your portfolio. In this article, I'll discuss three stocks you should buy.

Start with this utility company

When looking for defensive stocks to hold, investors should first turn towards utility companies. This is because utility companies tend to withstand market downturns very well. Regardless of what kind of economy we have, the demand for electricity and gas utilities shouldn't change very much. That gives utility companies a very predictable and stable source of revenue.

One of the best utility companies around may be **Fortis** (TSX:FTS)(NYSE:FTS). Founded in 1987, Fortis has grown to become a provider of regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean. Along the way, Fortis has emerged as a premier dividend stock. It has increased its dividend distribution in each of the past 47 years. That gives it the second-longest active dividend-growth streak in Canada.

Choose reliable industrial companies

Investors should also consider investing in industrial companies. For example, take **Canadian National Railway** (TSX:CNR)(NYSE:CNI). It operates one of the largest railway networks in North America. In total, its rail network spans about 33,000 km. What's interesting about railway companies is that they're essential in our economy continuing to operate smoothly. Currently, there's no viable way of transporting large amounts of goods, if not by rail.

Like Fortis, this stock is an excellent dividend company. It has increased its dividend distribution in each of the past 25 years. That makes it one of only 11 **TSX**-listed companies to currently hold that distinction. Despite all those years of continued dividend raises, Canadian National's payout ratio remains relatively low (under 40%). That suggests that the company could be able to continue raising its dividend over the coming years.

This is a good environment to invest in bank stocks

Although some could argue that a recession may be bad for bank stocks, this high-interest environment is exactly what banks need to succeed. Historically, banks tend to see a widening in profit margins as interest rates increase. With that in mind, it could be a good idea to hold shares of one of the Big Five banks in your portfolio.

If I could only choose one bank to buy, it would be **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). I like this company because of its excellent geographic diversification. This is a good thing to have for two reasons. One, it provides the company with some downside protection if one region is hit with a recession. Two, it gives Bank of Nova Scotia more areas with which it can seek growth. In my opinion, any of the Big Five banks could be a good call. However, Bank of Nova Scotia stands above its peers in my opinion.

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