Where to Safely Invest $10,000 in a Bear Market

Description

A bear market is characterized by a 20% drop in the stock market. The Canadian stock market is not there yet, but it's close. Below is the stock chart of the Canadian stock market using **iShares S&P/TSX 60 Index ETF** as a proxy.

It is a bad idea to avoid the stock market because of the fear of stock price declines. In fact, in the long run, the stock market has delivered the best long-term returns versus other asset classes, making investors who stay their course wealthier than they can imagine.

For example, if you can invest $500 a month compounded annually at 10% over 40 years, you would end up with $2,655,555.33. Many of you already have some savings under your belt. So, you could grow your wealth even more. For example, if your portfolio is already $100,000 in value today, and you continue to save and invest $500 per month, you'd end up with $4,436,389.90 instead in four decades.

After stock prices have substantially declined, some underlying risks have played out. It means you're taking less risk (in the perspective of long-term investing) when you buy stocks now. Conservative investors can choose to invest in low-risk stocks in a bear market.

Here's where you can safely invest $10,000 in this market downturn. These stocks have leading positions in their respective sectors. Because of the stock price corrections, it's possible for investors to make total returns of greater than 10% per year over the next three to five years.

RBC stock

Royal Bank of Canada (TSX:RY) stock has generated very quality earnings through economic cycles. The big Canadian banks are supported by a sound financial system that's well regulated. Even around recessions, its earnings have been highly resilient. Therefore, it has been paying safe dividends since 1870.

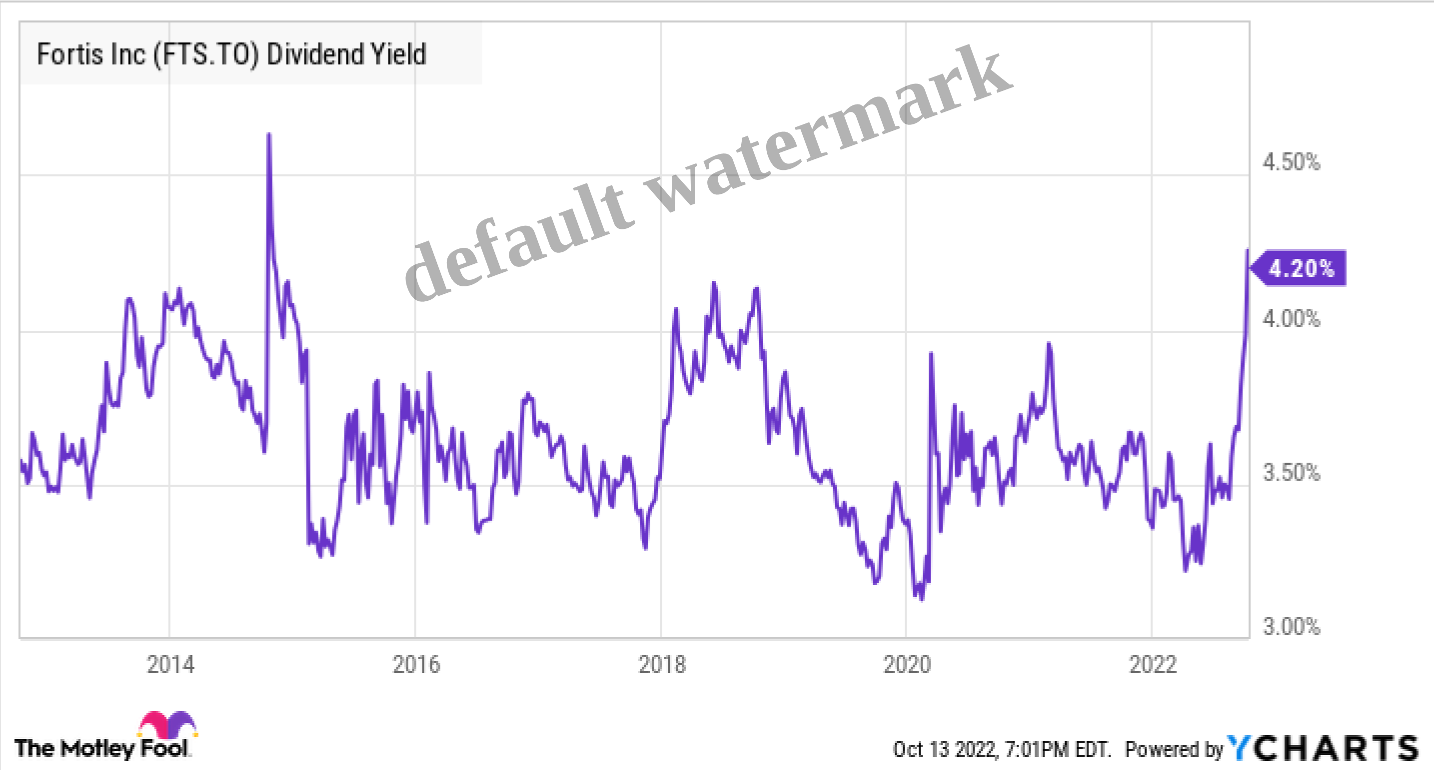
As a leading and diversified bank, it has been able to achieve above-average adjusted earnings-per-share (EPS) growth of 9.5% compounded annually over the last decade. The bank has a medium-term adjusted EPS growth target of 7% per year. A current dividend yield of 4.2%, assuming a 7% adjusted EPS growth rate, and no valuation expansion, the low-risk dividend stock can deliver long-term returns of approximately 11.2%.

Fortis stock

Fortis (TSX:FTS) is a top regulated utility in North America. It generates approximately 65% of its earnings in the United States and the Caribbean. Through 2026, it has a $20 billion, five-year capital plan that has close to 55% in the geographies. It also has regulated electric and gas utilities in Canada.

About 85% of the projects in the capital plan are relatively small, which means they're lower risk. And about 19% of the capital plan are clean energy investments, contributing to the mega trend of a greener future.

Fortis stock is a fabulous buy for low-risk investors right now. It offers an attractive yield of close to 4.5%. This is at the high end of its decade's long yield history.



FTS Dividend Yield data by YCharts

That said, we're in a new rising interest rate environment after a decade-plus long period of low interest rates. The rates will stay high until inflation has come down. Therefore, as stock prices continue to be depressed, it's a good time for conservative investors to accumulate low-risk dividend stocks over the next six to 12 months.

If you're able to trade on commission-free platforms, you can choose to divide your $10,000 across 20 holdings for portfolio diversification purposes.

CATEGORY

1. Investing
2. Stocks for Beginners

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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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kayng