Where to Invest Before Canada Enters a Recession

Description

As the country continues to fire on all cylinders, the unemployment rate is at a historically low level, which leads to many Canadians becoming much wealthier as time moves on. Although this is the time when many new investors enter the market for the first time, and more experienced investors take on more risk than they traditionally would have, it is also the time to be most cautious as the economy "firing on all cylinders" is actually a leading indicator of worse things to come.

Over the past few months, the Bank of Canada has determined that the economy was performing well enough to increase rates, forcing consumers to shoulder the higher costs to borrow money. In addition to the higher interest expense to fund borrowing, Canadians are also spending more money to get around as the price per barrel of oil is finally appreciating after many years of remaining subdued. Clearly, the amount of disposable income available for the average Canadian household is on the decline.

For investors still seeking bargains in all phases of the economic cycle, there are a number of excellent opportunities available. At a current price of approximately $52 per share, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) offers investors a dividend yield of almost 4.75%, while offering the potential of higher revenues every year. Regardless of the performance of the economy, the company has the ability to increase prices to consumers as the company provides a necessary service.

For those seeking an investment with less government involvement, shares of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) could potentially offer a significant amount of upside. Although the company carries a significant amount of debt, a slowing economy will act as a ceiling on interest rates — a benefit to the company. The upside for investors is that the product provided by the company is going to be purchased by the consumer no matter how deep into a recession the country slips.

As the company has downsized and used the proceeds from these sales to retire debt, investors will need to pay close attention to this name, as the companies that rise to the top during recessionary periods are not necessarily the best under all circumstances; instead, they become the best on a comparative basis.

Last up are shares of **Canopy Growth Corp.** (TSX:WEED). As the Canadian government will be legalizing marijuana in the next year, consumers potentially stuck in a rut may not need to leave their homes for an enjoyable evening. With the biggest challenge being that of capacity, the company, which is currently the country's largest, will be at the forefront of the development of this new market. To boot, as marijuana becomes more widely accepted, investors should not discount the chance that alternative uses will be found for the drug.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BHC (Bausch Health Companies Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/29
Date Created
2017/10/06
Author
ryangoldsman