



Why the Economy Is Heading Into a Recession and What to Do About it

Description

Over the past several months, investors have seen a large number of their holdings increase in value alongside their total portfolio values. The challenge experienced by many retired investors is their fortunes have not been as good — their portfolios seem to be stalled. As value investing has gone out of fashion, and newer technology companies have come into their own, there has been a clear shift as to the source of total corporate profits.

With companies such as **Amazon.com, Inc.** reporting record profits, and others such as **Facebook, Inc.** leading the decline, the writing on the wall has never been clearer: the economy is going into a recession.

As investors most often seek out the leading indicators to predict the future of corporate profits (and share prices), the information offered to us this time is no different: it is of critical importance to invest successfully. As Facebook missed revenue expectations (regarding advertising), it stands to reason that many companies may choose to cut back on spending money in this particular area. Essentially, companies are realizing that spending more money to advertise will not help them meet their sales targets. They've finally reached a tipping point.

For investors who have realized what this leading indicator will bring, there may be a gradual shift in where money is invested. As rates increased, and value investing fell out of fashion, many names that were previously sold off now offer substantial value. To top the list, shares of **TELUS Corporation** ([TSX:T](#))([NYSE:TU](#)), at a price of \$47, pay a dividend yield of 4.5%. [The company](#) has become a necessity for many consumers, so people seeking places to cut back expenses are unlikely to leave TELUS.

The second name on the list is none other than **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)). After spending time in the basement, TransAlta has started to rebound to a price of \$7.20 [per share](#) and offers a dividend yield of 2.25%. Although this name was never a favourite for income investors, the truth remains that the defensive nature of the business model will sustain the company (and investors) during all phases of the economic cycle. With tangible book value on the balance sheet exceeding the share price, investors have the potential to buy a dollar bill for less than 100 cents — not something

that happens every day!

For those seeking to invest based on a top-down approach, the economy should be monitored closely. At the present time, the most important leading indicators (apart from advertising expenses) remains the unemployment rate. Although many believe that having unemployment at a historic low is good for the economy, they are actually wrong; the low most often comes before a major selloff in the market. We'll have to be patient to find out when that will be!

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
4. TSX:TA (TransAlta Corporation)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/14

Date Created

2018/07/30

Author

ryangoldsman

default watermark

default watermark