



## Worried About a Recession? Consider These 3 Stocks on the TSX Index

### Description

Earlier this month, the world witnessed a significant market correction that affected several major stock exchanges. The TSX was among those affected, losing about 5% of its value between October 1 and October 11. Since then, the **S&P/TSX Composite Index** has recovered somewhat, but it's still down from its six-month highs.

The correction has led to renewed fears about a protracted market downturn. Respected investors like Ray Dalio have been sounding the alarm about a recession for some time now, and after almost a decade of steady gains, these predictions may come true.

Fortunately, a prolonged downturn — or even a recession — doesn't mean you need to take your money out of the markets. There are certain sectors — staples, discount retail, and vice industries, in particular — that tend to do well when the broader economy is doing poorly. In this article, I'll be sharing a few such picks that may help you survive the next economic storm without a scratch.

#### **Dollarama** ([TSX:DOL](#))

Dollarama is Canada's largest domestic discount retailer, with an 18% market share. That figure may not seem exceptionally high, but remember that much of the discount retail market in Canada is controlled by U.S. companies like **Wal-Mart**.

Discount retail does well in recessions because people can't stop buying basic necessities even in hard times. Instead, they simply switch to purchasing lower-priced versions of what they're already buying. Dollarama, with a vast supply of cheap daily goods ranging from food to kitchen utensils, is well positioned to grow in times when people are reassessing their weekly budgets.

#### **Saputo** ([TSX:SAP](#))

Saputo is classed as a consumer staple — one of the sectors that tends to do well in recessions.

Before going any further, I will say that Saputo had a rough Q1, with earnings down 37% despite 13% revenue growth. However, the earnings slide was apparently due to acquisition costs, which means

that growth or at least stability [should resume](#) as these acquisitions progress. Looking at annual rather than quarterly increments reveals that Saputo's net income is growing in the long term. Aside from that, Saputo enjoys a large market share in a number of dairy product categories, making it a great stock to weather a recession.

### **Molson-Coors Brewing** ([TSX:TPX.B](#))([NYSE:TAP](#))

Last but not least, we have Molson-Coors. I've said some critical things about this stock in the past. As a booze stock, it is subject to the [stagnating sales](#) that are affecting the industry as a whole: revenue is up a mere 9% year over year at the same time as some cannabis stocks are posting triple-digit growth.

But here's the thing: Molson-Coors is a vice stock, meaning it sells products that people use to cope with hard times.

Ethical questions about profiting from bad habits aside, there is no denying that vice stocks do well in recessions. So-called sin products have inelastic demand, meaning people tend to buy them whether they can afford to or not. Even when budgets are being cut, people usually tend to put some money aside for booze — in extremely dire circumstances, they may even up their spending on it. This may not be a pleasant fact of human nature, but it's one worth keeping in mind when building your recession-proof portfolio.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

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1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:DOL (Dollarama Inc.)
3. TSX:SAP (Saputo Inc.)
4. TSX:TPX.B (Molson Coors Canada Inc.)

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