2 Bulletproof Value Stocks I'd Buy to Weather the 2019 Economic Slowdown

Description

While investors breathe a collective sigh of relief over the recent reduction in the magnitude of volatility, prudent Fools such as yourself should be answering the wake-up call that was the October-December Trump Slump, so your portfolio is prepared for whatever Mr. Market decides to serve up next.

Some pundits think that the recent January rally is a dead cat's bounce and an opportunity to decrease your exposure to equities. And while there are dire indicators that point to a recession, the fact remains that the whole economic slowdown is man-made, and a re-acceleration in the economy is very much possible should the trade war come to a peaceful conclusion before an election year.

A handful of Wall Street commentators are pinning the odds of a trade war ending at less than 50%, so unless you're willing to spin the roulette wheel, it'd be a good idea to reduce your weighting to any cyclical positions and use the proceeds to scoop up some "bulletproof" value stocks, or attractively priced stocks that have a lower correlation to the broader markets.

Without further ado, consider the following two names.

Alimentation Couche-Tard (TSX:ATD.B)

As a convenience store operator with the urge to merge, you'd think that the discretionary name would be at risk of the most downside in an economic slowdown. While sales could slump after what can only be described as an incredible year of comps growth, investors should realize that Couche-Tard is a robust staple that has the ability to hold its own in a slowdown far better than most discretionary retailers.

Couche-Tard sells necessities at a slight premium relative to the bigger grocers, but investors need to realize that the company is primarily in the business of selling time. Time is money, and a dollar paid for a bottle of milk and some snacks is well worthwhile when you consider how much time it'd take to head on over to the closest supermarket to obtain the same items.

With Couche-Tard, you're riding on major generational secular tailwinds. Millennials value convenience

and experiences above all else, and as the Baby Boomer cohort continues to age, they'll be increasingly reluctant to make those weekly grocery store voyages.

When you consider how well management has been driving operational efficiencies, Couche-Tard is a ridiculous bargain, even if it was one of the few names that came out of 2018 in the green. Add Couche-Tard's low beta into the equation, and you've got a terrific value-priced growth stock to ride out the 2019 slowdown.

Fairfax Financial Holdings (TSX:FFH)

Fairfax used to be seen as the quintessential "bomb shelter" stock with Prem Watsa, who used to be seen as a "doomsday investor" with a strong consideration for downside protection. While Watsa's great financial call was remarkable, it's worth noting that Watsa's hedge bets haven't always worked out, as they've resulted in sub-par performance during the upmarket in the years that followed 2008.

Moreover, Watsa's "hedge-fund-like" approach isn't for everybody, and given the firm's sub-optimal insurance underwriting track record and the fact that Watsa is now bullish on the Trump administration, Fairfax is no longer the same "bomb shelter" stock that dooms-dayers can hide out in.

Although Watsa's more bullish, he's still keeping some hedges in place just in case he's wrong, and it's these hedges that'll help keep his firm's head above water should worse come to worst.

Sure, Fairfax may have lost some fans in taking on a more bullish view, but for those of us who want an all-weather holding that won't crumble like a paper bag should Trump's trade war spiral out of control, Fairfax remains a more solid bet than almost any other stock on the TSX.

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