
WARNING: New Report Suggests a Recession Could Be Coming

**Description**

For months, Canada has seemingly been hanging on the precipice of a recession. Between a stagnant housing market, an inverted yield curve, and a late 2018 correction, all the signs have pointed there. So far this year, stocks have been doing very well–the TSX is up 14% year-to-date–but remain down from their 12-month highs, all of which calls into question whether recent gains represent a genuine bull market or a temporary upswing.



When this many harbingers of recession align, it's hard not to worry. And recently, the situation appears to have worsened, with a new report having been published that adds another, crucial piece to the puzzle. Recessions are characterized not only by falling GDP numbers, but also by a number of economic "symptoms" that affect peoples' day to day lives. In light of this, the most recent economic news may be the most alarming yet.

## The jobs report

A few days ago, Statistics Canada published an employment report showing that 7,200 jobs were lost in March. This was the first employment drop in seven months–the next-to-last one occurring in August, slightly before the late 2018 correction. Of course, job losses in and of themselves don't necessarily mean that a recession is coming–and the losses observed were small compared to the prior six months' gains. However, a slowing job market alongside lower house prices and an inverted yield curve is cause for alarm.

Of course, not all the recent economic data has been bad. Here and there, there have been some positive stories. Notably, the 0.3% GDP growth in January beat expectations–although the expectations weren't high to begin with. Considering all the economic signs together, it appears likely that we could be headed for a slowdown, if not a recession, although as always, we'll have to wait and see.

## What this means for investors

Recessions are usually, not always, accompanied by bear markets. As demand for goods and service falls, corporate earnings slide, while negative investor sentiment sends stock prices lower. Amid this kind of environment, it pays to invest in stocks that are not too exposed to consumer spending patterns. Utility stocks tend to be popular in recessions and bear markets for this reason: **Fortis,** for example, got through the October-December correction without a scratch.

## Foolish takeaway

Economic slowdowns are always frightening; however, if you react to them with equanimity, they can be great buying opportunities. Ray Dalio is one of the biggest proponents of the "recession by 2021" theory, and he's been loading up on index funds and bank stocks. Ray's single biggest TSX holding is **Royal Bank of Canada** (TSX:RY)(NYSE:RY), a solid financial stock that's priced cheaply–perhaps in anticipation of a future recession. Banking is among the industries that are hit hard in recessions; however, their current prices appear as though they could be anticipating future headwinds. In this case, banks like RBC may not tank as badly in a future downturn as some think. In fact, they could even be good buys right now.

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