2 Recession-Proof Stocks for Your Portfolio

Description

The yield curve inversion in late March spooked much of the investing world, but equities continued to perform well in April. However, turbulence has hit in May and experts are again sounding the warning for a potential recession. Investors were treated to yet another yield curve inversion in Canada and elsewhere in recent weeks.

The Bank of Canada maintained the benchmark rate at 1.75% at its May 30 meeting. Carolyn Wilkins, the central bank's senior deputy governor, warned that these financial conditions "reflect concern about prospects for growth." However, Wilkins reiterated that historically low rates may make inversions more common going forward. Slow growth is the greater concern right now. The Bank of Canada is projecting a paltry 1.2% growth rate for the Canadian economy this year, the slowest pace since 2016.

A recession does not appear to be on the horizon in the near term, but it never hurts to be prepared. Today we are going to look at two stocks that should be resilient in the event of a slowdown or, worse, a recession.

Andrew Peller (TSX:ADW.A)

Andrew Peller is an Ontario-based wine producing company. Back in March I reflected on the yield curve inversion and the resilience of the alcohol industry in turbulent times. Indeed, Andrew Peller reported improved growth at times during the worst periods of the financial crisis. Stocks like Andrew Peller are solid targets for investors who are anticipating an economic slump.

Shares of Andrew Peller have dropped 2% in 2019 as of close on May 30. The stock soared to all-time highs in March 2018, but has steadily dropped over the past year. Shares are trading at the low end of its 52-week range and the stock boasts a forward P/E below 20. This looks like a solid time for re-entry. The wine industry has posted robust growth in the 2010s, and consumer trends show that its market share should continue to expand over the next decade.

Andrew Peller is set to release its year-end fiscal 2019 results on June 12.

Hydro One (TSX:H)

Hydro One is a utility that services the province of Ontario. Shares have shot up 11.9% in 2019 as of close on May 30. The stock is up 15% from the prior year. Companies that provide essential services like utilities are great bets during difficult economic periods. Hydro One possesses a wide economic moat with a monopoly in the most populous province in Canada.

In its first-quarter 2019 results, Hydro One posted adjusted earnings per share of $0.52, up from $0.35 in Q1 2018. This was primarily due to catch up revenues, favourable weather and lower taxes. Hydro One solidified its new executive team after the new Ontario government forced outs its former CEO and board of directors back in the summer of 2018. Shareholders will be hoping for more stability on this front going forward. On the bright side, the scuttling of the **Avista** deal did improve its balance sheet.

In the first quarter, Hydro One announced a 5% hike to its quarterly dividend to $0.2415 per share, which represents a strong 4.2% yield.

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