The Recession Threat Is Real, But Here's 1 Place You Can Hide

Description

Last year, the threat of recession seemed like more of a hot take than a genuine concern. That's not so this year, given inverted North American yield curves, incessant trade crises, geopolitical tensions, among other market stressors, any one of which might have caused widespread panic in a normal year.

But 2019 has been far from a normal year, with volatility impacting most asset classes that culminated in a bloodbath at the end of May leading into the start of June. And now David Rosenberg, chief economist and strategist at **Gluskin Sheff + Associates**, just called the U.S. recession, pipping other market pundits to the post.

In an interview with *BNN Bloomberg*, Rosenberg side-stepped GDP as the go-to indicator of a recession and pointed to four other significant metrics that signal a depressed market: "If you look at household employment, you look at real business sales, you take a look at industrial production, which, by the way, is in a recession, and take a look at organic real income in the U.S. — [it] peaked in December."

Rosenberg, who back in March warned that Canada itself was "one notch" away from recession, added ominously, "The global economy is going to cave with the U.S."

Where should Canadians put their money at the moment?

As we saw at the end of May and in the beginning of this month, even the very safest assets — such as gold — are vulnerable to the unique mix of market stressors currently swirling over the investment landscape. Though bank stocks certainly have their detractors at the moment, their recovery was swift, and, along with diversified utilities, have seen investors return after their worrying dip at the start of June.

Of the two asset classes, however, utilities are arguably the safest. Households feeling the pinch would have to prioritize energy, even during the harshest downturn, or so the theory goes. Even if this turned out to be overly simplistic in real life, as an idea, it's prevalent enough to affect the way in which people invest.

One utility stock to rule them all

There's a reason why **Fortis** (TSX:FTS)(NYSE:FTS) stock in particular is being touted as a defensive dividend stud right now. In fact, there are several reasons — any one of which would make a compelling argument for investment.

Fortis pays a 3.45% yield, and while this is far from the highest-yielding stock on the TSX, it's still a higher percentage than the bottom 25% of Canadian passive-income stocks. It's also backed up with rising payments that have been stable over the past 10 years.

Fortis has also outperformed the Canadian electric utilities sector in the past 12 months, which itself rewarded shareholders with returns of 21.2%. The fact that Fortis managed to beat this by an additional 4.5% is particularly impressive given the challenges faced by the energy industry of late.

The bottom line

Few utilities stocks have the kind of defensive clout commanded by Fortis. As Canada's largest private utility presence, it makes sense to buy and hold shares for some relatively assured passive income through a potentially turbulent period.

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vhetherington