MASSIVE Recession Warning Signs Are Flashing… These 2 TSX Index Stocks May Provide Safety

Description

This week, the recession warning signals sounded louder than ever, after the two-to-ten- year yield curve inverted and the **Dow Jones Industrial Average** shed 3.05% of its value in a single day.

In what was probably the worst single day of 2019 for the markets, financials and marijuana stocks were particularly hard hit as investor sentiment drove massive losses across the board.

At this point, investors are right to be concerned. Inverted yield curves are among the most reliable recession predictors, having predicted nine out of the last 10 recessions.

In this environment, you might be wise to flee to bonds or precious metals. However, if you're looking for stocks that can thrive in this economy, the following two can be solid picks.

Kirkland Lake Gold Ltd

Kirkland Lake Gold Ltd (TSX:KL)(NYSE:KL) is a gold exploration company that mines gold in Canada and Australia. The company aims to mine 950,000 to 1 million ounces of gold in 2019, and it has been making steady progress toward that goal.

In its most recent quarter, the company mined 214,000 ounces of gold, which, when combined with the 235,000 ounces it mined in the prior quarter, takes it to 449,000 ounces for the year to date.

If the company can keep up the same rate of production for the rest of the year, it will likely hit its one million ounce goal.

On the financial side, Kirkland Lake increased net income by 69%, revenue by 31% and operating cash flow by 52% in its most recent quarter. These are absolutely incredible growth figures, so it should come as no surprise that Kirkland has gone on a tear in the markets this year.

As recession-wary investors flee to gold, the commodity's price may rise, leading to even better results for Kirkland in future quarters.

Fortis Inc

Fortis Inc (TSX:FTS)(NYSE:FTS) is one of Canada's largest utility companies, with assets across Canada, the U.S. and the Caribbean. With $52 billion in utility assets and 3.3 million customers, it's a juggernaut in its industry.

Heat and light are some of the basic essentials of life, so it's no surprise that utility stocks as a class tend to fare well in recessions. In the late 2000s recession, Fortis shares fell only 25% from top take to bottom take, when stocks on average fell about 50%.

It's testament to the fact that utility stocks tend to whether recessions better than almost any other class of equity. Of course, government bonds are even safer in recessions than utilities like Fortis.

However, if you buy Fortis in the midst of an economic downturn, you stand to capture some upside that bonds don't deliver.

Speaking of which, Fortis has one of the best track records of dividend increases among Canadian publicly traded companies, having increased its payout every single year for 45 years.

Those increases include recession years. There are very few stocks that are able to keep dividends going strong even in recessions, so if you're a recession-wary income investor, Fortis is a particularly strong pick to consider.

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andrewbutton