Bridge the Recession With This Wide-Moat Tag Team

Description

Here's a hot tip before the world gets turned upside down by the twin horrors of a North American recession and a no-deal Brexit: going long on a major gold miner could be one of the best ways to see your money come back to you on the other side of the downturn. And if you pick a gold stock that pays dividends, you could even make some passive cash along the way, giving you a source of income shielded from recessionary woes.

But pair a gold investment with stashing shares in a growing pipeline operation, and you have a double-whammy for defensiveness ahead of a potentially painful market correction.

A solid gold play for defensive commodities

Investment pundits have been circling **Newmont Goldcorp** (TSX:NGT)(NYSE:NEM) ever since its merger earlier this year. After a recent quarterly report that didn't quite overwhelm the way early investors in the merger might have hoped that it would, there is a call from some quarters to buy on weakness and hold for the long term.

The takeaway is that as more and more signs point towards a painful market correction in North America (and elsewhere: Europe could be looking at its own multinational post-Brexit recession, after all), a migration towards safe-haven assets looks likely. This is why gold — and big miners of the precious metal like Newmont Goldcorp — are due a bull run.

The midstream investment landscape is changing fast

The midstream space is starting to heat up, and investors can expect to see some extra upside in a few of their favourite pipeline stocks. From a key buyout of assets to strong developments in the Trans Mountain situation, here are a few things that Canadian investors need to know about the fuel-transportation landscape today, along with some strong stocks related to the industry.

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a hot pick for a pipeline stock upon news that it will be snapping up **Kinder Morgan** and hiking its dividend. Furthermore, Trans Mountain has given notice that contractors should start preparing for its pipeline network project to resume with strategic expansions out west. Construction contractors have 30 days to get their equipment and workforce in order before work begins in a number of western locations, including the critical Burnaby terminal.

Investors still eyeing up the conventional play may want to skirt around **Enbridge** (TSX:ENB)(NYSE:ENB) if market ratios are a factor. Enbridge is overvalued compared to its peers, with both its P/E and P/B ratios around double the averages for the Canadian oil and gas industry. In terms of future growth, it’s also not looking like much to write home about, with earnings set to grow by just 3% over the next one to three years.

The bottom line

Pairing a growing midstream company with a huge gold miner is a bold, defensive move ahead of a recession and could see an investor protected through even the harshest economic downturn. Pembina is a particularly strong play at the moment, while Newmont Goldcorp has all the makings of a gravity-defying stock that could set up a new passive-income investor for the long term.

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