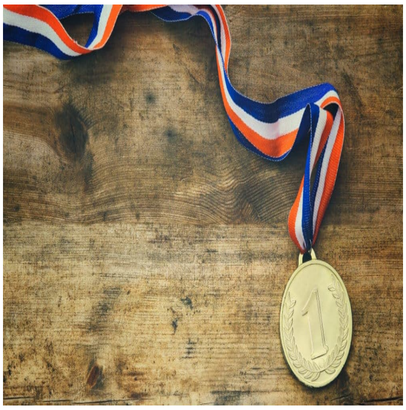

Top Stocks to Hold in a Recession

Description

Donald Trump took it to **Twitter** Friday, causing the stock market to plunge — yet again. You know … the usual.

Trump "ordered" U.S. companies to stop doing business with China amid further retaliatory tariffs slapped on by President Xi. With the yield curve inverting yet again, many investors fear that we could be headed into a steep recession with fewer, if any, economic tools to counteract the damage.

To add even more salt in the wounds of investors, Trump told a crowd that they had "no choice" but to vote for him in the next election; otherwise, their 401(k)s would "go down the tubes": "If for some reason I wouldn't have won these elections, these markets would have crashed. And that'll happen even more so in 2020," warned Trump.

Yikes!

If we are headed for a recession, we could be in for a real doozy. So, if you're looking to protect your portfolio, here are two stocks that can limit your downside but can still offer a satisfactory return on your investment over time — something that's no longer possible with bonds.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) fared well during the last recession, falling just over 20% from peak to trough before rebounding quickly.

The regulated utility is the perfect bond alternative for those who are convinced that pain is on the horizon. Not only does Fortis have a bountiful yield (currently at 3.33%) that beats most short-term bonds (don't even think about investing in long bonds!), the dividend is likely to continue to grow at a mid-single-digit rate, even if the inverted yield curve becomes a self-fulfilling prophecy.

What makes Fortis stand head and shoulders above its peers is its vast transmission network, which is irreplaceable and will continue to be a stable source of cash flows through the harshest of times.

CIBC recently downgraded the stock over valuation concerns, but I think the name is still worth the premium multiple if you find your portfolio is lacking in defensive dividend stocks.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is another wide-moat dividend-growth stock that'll continue to reward you through an economic downturn while limiting your downside relative to most other stocks.

Yes, the rails are economically sensitive and will get smacked come the next recession. Like Fortis, though, CN Rail will likely only suffer a fraction of the damage that the broader markets will suffer. In 2007-08, CN Rail fell over 30%, but when the page turned on the next market cycle, the stock was one of the first to come roaring out the gate as the expansion phase took hold.

As North America's most efficient railway, CN Rail has outperformed its peers through periods of economic weakness. For the first quarter, CN Rail put its peers to shame with an improved operating ratio and enviable growth that you wouldn't think would be possible amid a broader freight market slowdown.

At 12.9 times EV/EBITDA, the stock looks fairly valued and is a great way to invest through uncertain times.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
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