New Investors: 2 Stocks to Buy as We Fall Into Recession

Description

It's that time of the year again. Spooky September, the month that most investors have been dreading, not just because it's back to school (or work), but because markets tend to be that much more volatile now that folks have returned from their summer vacations to get a headstart on tax-loss selling.

This summer has brought forth some choppy waters, and as we move further into the ominous month, with recession fears lingering, we may be sailing towards the eye of a hurricane, with even more choppy market moves on the horizon.

Now, you shouldn't sell all your stocks just because it's September. Jumping ship while sailing through a storm is generally a bad idea. The best you can do is to hang in there and prepare your ship to keep it afloat. That means buying defensive dividend stocks to better prepare your portfolio for another rise in volatility.

If we are headed for a recession and the markets implode in September, the following two names should be seen as a foundation to help keep your ship from flipping over.

Emera

The price of admission to utility stocks like **Emera** (TSX:EMA) has gone up in recent months, and for good reason. As recession indicators flash red, naturally, everybody is going to flock to safety stocks, preferably with high dividend yields.

Emera is a Canadian utility with growing exposure to the more attractive U.S. market. The company has been doing a terrific job of growing its regulated operations of late. As you may know, regulated operations provide a higher degree of certainty, and in uncertain times like these, such assurance comes at a significant premium.

The stock currently sports a bountiful 4.1% dividend yield, a tad lower than the five-year historical average yield. And the stock trades at a slight premium relative to historical average P/E and P/S multiples. I'm not a fan of the price tag after the latest rally, but if you're convinced we're headed into a recession, Emera's high cash flow visibility and growing dividend ought to leave you sleeping well at night.

Cascades

Cascades (TSX:CAS) is a producer of consumer paper products that make good use of recycled fibres. The stock has been under a considerable amount of pressure over the last few years, so much so such that the stock no longer trades alongside the broader markets on any given day.

With a 0.27 beta, Cascades tends to trade in its own world and is less dependent on macro events or President Trump's latest tweets.

At the time of writing, Cascades has a 2.8% dividend yield, which will likely continue to grow through the years, even through the next economic downturn. You see, tissues and toilet paper are necessities that are in demand, even when times get tough. While the stock did implode during the 2007-08 Financial Crisis, I think the name is on more stable footing this time around, even though there is a bit of debt (1.3 debt to equity) weighing down the balance sheet.

The valuation is also too good to pass on this time around with shares trading at 0.23 times sales and 0.7 times book. That's ridiculous undervaluation, and given a majority of the damage is likely in the rear-view mirror, I see minimal downside relative to the broader markets in the event of a recession.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CAS (Cascades Inc.)
2. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/15
Date Created
2019/09/05
Author
joefrenette