



## 2 Recession-Proof Stocks for the Next Bear Market

### Description

The next bear market is coming—at least that's what a growing number of [economists are saying](#). Whether it's sluggish growth in Europe, rising consumer debt in Canada, or escalating trade wars between China and the U.S., dozens of respected hedge fund managers and financial gurus have become skeptical about the global economy.

If you're worried about the value of your investments, there has never been a better time to position your portfolio for the next crash. But don't worry—that doesn't mean selling all of your stocks.

In fact, many stocks actually *benefit* from a recession. If you want to protect your savings without sacrificing long-term growth, here are your two best options.

### Automation is here

Automation isn't coming—it's already here. Automating any business process, from manufacturing to inventory management, is the fastest and most reliable way for a company to eliminate one of its biggest costs: labour.

While that's bad news to the workers, it's good news if you're looking for recession-proof stocks. That's because whether it's a bull or a bear market, companies are always looking to cut costs and increase profitability. Investing in firms that *provide* automation software is a win-win scenario, no matter the economic environment.

Your best bet here is **Constellation Software Inc.** ([TSX:CSU](#)), a classic millionaire-maker stock. Since 2006, investors have increased the value of their holdings by *73-fold*!

A \$10,000 investment became \$730,000 in just 13 years. Notably, the company completely side-stepped the financial crisis of 2008.

When stock markets were falling by 50% or more, Constellation stock actually *increased* in value. That's because when profits are falling, customers are even *more* likely to buy Constellation's

automation software.

Constellation's automation software has another benefit: it's often custom-designed for the client. While that increases upfront costs, it makes it nearly impossible to switch to a competitor.

This gives Constellation an incredibly durable revenue stream that experiences very little churn—yet another benefit if a recession hits. This stock is expensive, but it's a great place to hide during the next downturn.

## Trust the guru

Constellation stock is expensive, but there's another option that's surprisingly cheap: **Fairfax Financial Holdings Ltd** ([TSX:FFH](#)). Fairfax is headed by Prem Watsa, one of the more respected investors of the last few decades.

Since the 1980s, he's compounded shareholder value by more than 17% per year. Investors that have stuck with him have made a boatload of money.

As is the case with Constellation, Fairfax shareholders completely side-stepped the financial crisis. There was a bit of a dip during certain months, but overall, investors actually ended up with a profit. That's an incredible result given that many people lost their life savings during the downturn.

The outperformance is partially due to Watsa's investing acumen, but Fairfax's business model is also to thank. The firm owns a litany of insurance companies that provides Watsa with new cash to invest every day. When markets fall, Watsa has the ability to consistently buy at lower prices, a huge advantage.

There's no guarantee that Fairfax or Constellation will make it through the next recession unscathed, but given their proven histories of success, it's a good bet to make.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:FFH (Fairfax Financial Holdings Limited)

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**Author**

rvanzo

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