Should You Really Invest Before a Recession?

Description

If you look at the last recession about a decade ago — ignoring the blip in the markets at around 2015 — I could definitely see why investing before a recession might seem like a bad idea.

Almost across the board the markets basically crashed, with many shares losing at least half the value in an incredibly short amount of time. It led to widespread panic, and widespread sell-offs for those fearing the hard-earned money they had safely stowed away was now in the hands of companies that might be going under.

So today, with a recession due any time now, it might seem like a strange thing to suggest when analysts and other recommend now as the time to invest. But honestly, it is. Here's why.

First of all, this is not going to be the Great Recession or Great Depression. There have already been several dips in the market that have pretty much warned investors that a recession is imminent.

This has actually allowed people to prepare for it. One way to prepare? Look at your portfolio and perhaps sell off the riskier stocks, but definitely try to bag a couple of long-term options that you didn't have before.

Some great options to consider are banking stocks and energy stocks. Both industries have been beaten down with the worry over a recession, making now a great time to buy. Canadian banking stocks performed as some of the best in the world during the last recession, returning to prerecession share prices within a year. Meanwhile, you'll be able to take advantage of some strong dividends while you wait out the storm.

Then there's the energy sector, which has been beaten down by a number of angles. While the potential is there for these stocks not to experience as serious a comeback as hoped by analysts, there is definitely the potential for many of them to rise at least somewhat in the short term. However, a few offer much more promise.

One of those few is **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). Investors have been wary about this stock for a few reasons. First, the price of oil has been incredibly weak, which has led to investors thinking pipeline companies such as Enbridge are only going to roll further downhill.

But that's not the case. The weak oil price comes from the lack of means to ship out this oil, which means that companies like Enbridge are needed now more than ever.

That's why Enbridge is currently in growth mode, building a number of pipeline projects to be completed by 2021, and even more after that time. So again, while in the short term the stock might not exactly be due to spike, once these pipelines are up and running, the company is certainly set up to make some significant gains.

So there you have it. If you're going to consider investing when stocks are cheap (hence buy low, sell high) now is absolutely the time for certain stocks. While I would stay away from riskier bets, stocks like Enbridge certainly have a promising future.

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