Here’s Why Higher Oil Makes This Restaurant Stock a Buy

Description

Should investors expect to see the needle on the Fear and Greed Index swing out of the green and back into the red this weekend? As the Fed makes its second rate cut of the year, it could introduce a fresh element of uncertainty to the markets. The move comes as no great surprise given the grinding China-U.S. trade war, disappointing manufacturing data, and an increasingly grim global outlook.

The first cut isn’t always the deepest

Investors are likely to continue to move into safe-haven assets, almost certainly benefiting low-risk assets. As an example of just how closely safe havens follow fear in the market, look no further than the Saudi oil attack. Gold traded lower midweek after Saudi Arabia announced that oil production was coming back online, then recovered once supplies were predicted to remain bottlenecked.

The announcement that supplies would come back online briefly allayed the fears in the markets that had initially driven up gold prices. However, since weaker business investment and exports were major causes for the Fed’s second cut, the lack of confidence in American growth it signals could potentially weigh on the markets longer term. A further interest rate cut could come before the end of the year.

Recession-proof restaurants? You bet

While investors are likely to migrate towards gold as fear creeps back into the markets, there’s another downturn-ready sector that could pick up: food. The news that Tim Hortons has pulled **Beyond Meat** from its menus in all but two provinces saw the meatless stock become a toothless one: The NASDAQ-listed ticker went from incredible to inedible overnight, shedding 6% at close of play Wednesday.

Hortons owner **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) is up a couple of percentage points on the news, with investors seeing a surge in popularity of the Popeyes brand, thanks to a certain chicken sandwich, dovetailing with what Tim Hortons purists likely see as a return to form in terms of proffered menu items. Paying a modest dividend yield of 2.73%, the stock trades just under its year-long high.

While fine dining is likely to suffer during an economic downturn, consumer staples are a recession-proof play. From agri nutrients to grocery giants, there are plenty of stocks on the TSX to choose from for defensive dividends. Restaurant Brands fits nicely into this category with strong brands cornering the fast-food market and providing geographical reach to a passive-income portfolio geared towards all-weather stocks.

One of the facets of Restaurant Brands that has investors repeatedly coming back for more is its moderately tasty dividend backed by a bullishly positive momentum. The stock has been beefed up by a satisfying 40% already this year and is adding new restaurants at a dizzying pace. Expanding into new international territories and not afraid to take risks (see the experimentation with meatless burgers at Tim Hortons, for example) make for an exciting growth stock.

The bottom line

International expansion, strong branding, and a global economic climate favouring cheap, quick sustenance add seasoning to an already appetizing stock. With uncertainty increasing in the markets, a defensive play for consumer staples with a wide economic moat makes a lot of sense right now.

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