Bank of America Reveals Troubling News About the Next Recession

Description

Bank of America has some troubling news: the next recession is right around the corner. The bank surveyed 235 fund managers, asking how likely the global economy will enter a recession within the next 12 months. The conclusion was that the risk of recession has hit its highest level since 2009. That's a shocking reversal from 2018, when the survey showed hit multi-year confidence in the global economy.

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While recession risk dominated the headlines, additional risks were also revealed, the biggest of which involved the ongoing trade war between China and the U.S. Roughly one-third of respondents believe the current trade war is the "new normal." More than two-thirds don't expect a resolution before November of 2020. That's an important finding considering the trade war was the primary reason for the big upshift in recession fears.

If a bear market hits, the vast majority of portfolios will be negatively impacted. You could lose *years* of gains in a matter of months. If you want to avoid any trouble, pay close attention.

Go defensive

If you want to preserve your savings but aren't keen to sacrifice long-term upside, consider recession-proof stocks. Some companies have business models that aren't dependent on prevailing economic conditions. In fact, some stocks actually do *well* during a bear market. Let's run through two examples.

First is **Enbridge** (TSX:ENB)(NYSE:ENB). Enbridge owns and operates pipelines throughout Canada. This is about as close to a monopoly as it gets. Often, there aren't any other alternatives for oil and gas producers to transport their product. The choice is frequently to use Enbridge's pipelines or go out of business. Even when there are alternatives, like crude by rail, these methods can be much more costly, pushing customers to demand pipeline capacity.

Enbridge is a proven stock during economic downturns. During the 2008 financial crisis, shares hardly budged, even as the energy sector sank by 50% or more. Additionally, the business throws off impressive levels of cash flow, enough to pay a fully backed 6.3% dividend. Pipeline businesses like

Enbridge are perfect stocks for a recession.

Your second option is to buy stocks run by world-class managers. Consider **Fairfax Financial Holdings**. Headed by esteemed investor Prem Watsa, this stock has grown by more than 17% annually since the 1980s. More importantly, it’s weathered some of the worst downturns with ease.

As with Enbridge, Fairfax Financial stock remained steady during the latest financial crisis. Plus, Watsa was able to deploy billions in cash during the panic, scooping up quality acquisitions at rock-bottom prices. From 2010 through 2015, shares popped higher by 75%. With Watsa at the helm, I’m betting Fairfax Financial will exit the next recession stronger than it entered.

Buy the fear

The most important thing you can do during a recession is to put money to work. If you invested throughout the 2008 global economic collapse, you would have made a killing. Where should you put your money to work today? Look for industries that will continue to grow for a decade or more, no matter what the economy does over the near term.

The cannabis industry, for example, is set to explode through at least 2030. No temporary market pullback will stop this red-hot industry. There are now more than a dozen cannabis stocks to choose from, but knowing which companies have the most long-term upside is critical if you want to take advantage during a bear market.

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Date
2025/08/23

Date Created
2019/09/22
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