3 Stocks to Buy Ahead of the Next Market Crash

Description

We live in volatile but highly lucrative times. It's easy to make money when the market's rising, but the task grows challenging when investors are bailing. Thankfully, there are some stocks that are better suited than others to handle the next market downturn.

Target (NYSE: TGT), **Roku** (NASDAQ: ROKU), and **McDonald's** (NYSE: MCD) are three stocks that stand to benefit from a potential market crash. They're doing fine now. All three hit new all-time highs this summer, and outside of Roku's recent correction, they are in pretty good shape right now. They are thriving when the going is good, but their business models are also built to withstand the next economic funk. Let's go over why these three 2019 market winners could be strong recession-resistant investments.

Target

Discount department stores are as close as you can get to all-weather plays in the retail space. Folks are spending money when the economy's humming along, and when money's tight, shoppers trade down from pricier retail options. Things may seem different these days with online discounters offering aggressive pricing, but Target is still finding ways to shine.

The "cheap chic" retailer is coming off yet another strong quarter. Comps rose 3.4%, up 10% since the same period two years earlier. Margins are expanding with operating income and adjusted earnings growing even faster than Target's top line. Target announced a $5 billion share buyback last week, a surprising development for a stock hitting new highs, but also a bold show of confidence that the fashion-forward retailer knows that it will be even more relevant and valuable in the future.

Target is a hot chain right now, and it's getting up to speed quickly on e-tail. Comparable digitalchannel sales soared 34% in its latest quarter, 10 times faster than its in-store sales. Target has gonefrom being a laggard to a leader in same-day fulfillment through order pick up and drive up services aswell as its recent Shipt acquisition. The discounter is smarter than it's ever been, and its tech is now as trendy as its merchandise.

Roku

If you want to understand the appeal of Roku, let's cut to 2008. Most of the stocks naturally took a beating during the last global economic recession, with the **S&P 500** plummeting 38% in the process. **Netflix** (NASDAQ: NFLX) was one of a handful of stocks to squeeze out positive returns that year, gaining 12% in 2008.

Netflix was a winner. Consumers gravitated to the simple joys of watching movies at home, and Netflix — then largely a DVD-based service but with a nascent streaming platform — was there to collect the entertainment-hungry cost shavers. The market has evolved over the past 11 years. We're streaming instead of renting optical discs. Binge-watching serialized dramas also has more appeal than full-length features.

Although Netflix is still riding high, it would be a tricky recommendation at this time. Subscriber growth is starting to decelerate, and Netflix faces a glut of big-name competition launching rival premium services at aggressive price points in the coming months. Here is where Roku steps in. Streaming will be as important in the next recessionary downturn as Netflix DVD rentals was more than a decade ago. Roku is the best play as the operating system of choice of smart televisions and the service-agnostic platform that is now entertaining more than 30 million active accounts.

The average account is already streaming more than three hours a day through Roku's gateway, and that will only intensify as folks kiss their fat cable and satellite television bills goodbye. The same new services that may nibble away at Netflix's dominance will actually make Roku's platform more lucrative as it cashes in on traffic and the money that services are willing to pay to stand out on Roku's hub.

McDonald's

There was a time when McDonald's was just known for its cheap junk food, and while it will never be the hotbed of healthy-eating hardbodies, the world's largest burger chain has found a way to improve the quality of its higher-end menu offerings without forgetting its value-driven core. The chain's barbell pricing strategy — where a dollar menu of rainy-day sustenance sits next to premium salads, chicken breast sandwiches, and gourmet burgers — is working.

It's thriving now during a buoyant economy. Store traffic dipped slightly last year, but McDonald's is more than making that back these days on the heels of third-party apps that are making delivery of the chain's menu easy and somewhat reasonably priced. McDonald's is also built to withstand the market downturn.

McDonald's is recession-tested. Netflix wasn't the only stock to move higher in 2008, as Mickey D's saw its shares return 9% that year. The world's largest restaurant by sales volume also recently raised its dividend, something that it has now done for 43 consecutive years. Target and McDonald's currently command a reasonable yield of 2.4%, another thing that makes them stocks to buy ahead of the next market crash.

Another smart bet at McDonald's these days are its refranchising efforts, as it hands over company-owned units to proven franchisees. That results in record profits, but it also passes the burden of any lulls to its franchisees in the process. McDonald's isn't clowning around.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. NASDAQ:ROKU (Roku)
3. NYSE:MCD (McDonald's Corporation)
4. NYSE:TGT (Target Corporation)

Category

1. Investing
2. Tech Stocks

Tags

1. Syndicated

Date
2025/07/02
Date Created
2019/09/29
Author
rick-munarriz