2 Stocks to Make Your Retirement Portfolio Recession-Proof

Description

Recession fears bubbled up again as the **S&P/TSX Composite Index** plummeted over 2% this week. With Donald Trump declaring unexpected tariffs on European goods, the pain for global stock markets could just be getting started.

Canadian investors could be forgiven for being anxious. The yield curve inverted months ago, corporate debt is at a record high, two Canadian cities made it to the top 10 of **UBS'** housing bubble **Index** and company earnings are starting to weaken.

Add to that the slowdown in global growth as well as the ongoing trade war and there's plenty of reasons to expect a Canadian recession soon. However, no one can time a recession with precision, and the costs of staying out of the market may even be higher than the costs of losing money in a downturn.

With that in mind, here are two stocks that could weather the storm of a recession and prove to be excellent parking spots for your money in 2020:

Garbage collection

Critical services like garbage collection and waste recycling tend to be insulated from the wider economy. **Waste Connections** (TSX:WCN)(NYSE:WCN) is the clear leader in this industry, and the company has already demonstrated an ability to retain value through downturns in the past.

During the economic slowdown of 2015-2016, when the price of oil collapsed and the nation's gross domestic product contracted, Waste Connections' stock was up over 40%. The stock price has nearly tripled over the past five years alone.

Waste Connections seems to be driving its growth through acquisitions, which means it could actually benefit from a correction in the market value of its smaller rivals and assimilate their business to expand its core operations.

Underlying fundamentals appear to be strong enough to support this acquisition-driven growth for the foreseeable future. The company generated about $1.5 billion in operating cash flow over the past year, has low debt and nearly $214 million in cash and cash equivalents on its books.

Investors should certainly add this to the recession-proof watch list.

Utility

With a portfolio of gas and electric operations spread across the United States, Canada, and the Caribbean, and a market capitalization of $24.7 billion, **Fortis** (TSX:FTS)(NYSE:FTS) is one of North America's largest utilities.

Utilities are notoriously entrenched, which means that their earnings and margins remain stable regardless of the market cycle or economic conditions. Consumers have no choice but to pay their electric and gas bills even if their income has taken a hit. Fortis enhances this robust business model with savvy capital allocation and financial discipline.

Management seems laser-focused on expansion, recently announcing that they had signed an agreement to ship 53,000 tons of LNG to China per year, making it the first Canadian energy supplier to do so.

The company's robust business model and acquisition expansion strategy has paid off well for early investors, who've enjoyed a 550% return over the past decade. In fact, the stock lost just 22% of its value during the great financial crisis of 2008-09 and has been steadily appreciating ever since.

Bottom line

Even if the Canadian economy enters a recession over the next year, companies that provide essential services, such as electricity and waste management, may be able to retain their value better than others.

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