2 Top Stocks to Recession-Proof Your Portfolio

Description

Fears of a global recession have ratcheted sharply higher in recent days on the back of softer-than-anticipated U.S. industrial activity, which was at its lowest point in over a decade. These concerns are being magnified by the ongoing trade war between the world's two largest economies the U.S. and China, as well as signs that the Eurozone is edging ever closer to recession. That saw financial markets plummet over recent days, as investors scrambled for the exit and sought to reduce their exposure to the most vulnerable stocks, such as energy and miners. This saw around 4% wiped off the value of the TSX over the last week, and there are indications that the bourse could plunge further.

Invest for the long term

While a recession could be looming, it shouldn't deter you from remaining invested in the market. You only need to look at the performance of Canada's big banks since the Great Recession to understand how strongly they have performed, regardless of the worst global economic catastrophe since the Great Recession. The largest mortgage lender **Royal Bank of Canada**, including dividends, has returned 139% for shareholders over the last 10 years, while **Toronto-Dominion** has delivered 181%.

This emphasizes why you should remain invested in the market in high-quality stocks with wide economic moats, even during times of economic and geopolitical crisis. While Canada's banks have delivered some impressive returns, it is infrastructure stocks that have proven to be more resistant to economic and geopolitical crises. Let's take a closer look at two that are poised to deliver solid returns for investors that are more than capable of weathering the current economic storm.

Globally diversified operations

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) possesses a wide economic moat and rock-solid defensive characteristics. Demand for the utilization of its infrastructure assets remains strong, even during economic downturns. This combined with steep barriers to entry, including significant regulatory and capital requirements, the fact that it operates in oligopolistic markets, and the critical nature of its assets for modern economic activity, protect it from competition virtually assuring earnings growth

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Those characteristics are further enhanced by the ever-widening global infrastructure gap, which is expected to be US$15 trillion by 2040 and will drive further demand for Brookfield Infrastructure's assets regardless of the state of the economy.

Brookfield Infrastructure has delivered a total return, including distributions, of a whopping 571% over the last decade and, for the reasons discussed, will unlock further considerable value regardless of the current economic ructions. The partnership continues to reward investors with an ever-growing dividend, having hiked it for the last 11 years to yield a tasty 4%, making Brookfield Infrastructure an ideal stock for income-hungry investors.

Critical energy infrastructure

Another outstanding performer is midstream services provider **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), which, over the last 10 years, has returned a stunning 330% for shareholders after including dividends. Demand for its energy transportation, storage, and processing infrastructure remains strong and will do so even if a recession occurs. A long-term shortage of pipeline exit capacity in Canada means that there is considerable pent-up demand for the utilization of Pembina's infrastructure and services.

Even Alberta's mandatory oil production cuts have failed to reduce the demand for pipeline capacity to transport crude, notably bitumen from the oil sands to crucial U.S. refining markets. Pembina is actively expanding its portfolio, with $5.5 billion of projects under development that are expected to enter service between now and mid-2023. These will expand the volumes of crude and natural gas that can be transported, giving earnings a healthy boost.

A large portion of Pembina's earnings, estimated to be 64% of its forecast 2019 EBTDA, comes from contracted sources. When this is coupled with the strong demand for its infrastructure assets, growing Canadian hydrocarbon production, and steep industry barriers to entry, its earnings even in a difficult economic environment are virtually assured. Those attributes have allowed Pembina to reward loyal shareholders with a steadily growing dividend, which it has increased for the last seven years to yield a juicy 5%. This, along with Pembina's solid growth prospects and defensive characteristics, makes it the ideal investment during times of economic distress.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:PPL (Pembina Pipeline Corporation)

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Date
2025/08/23
Date Created
2019/10/03
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