



2 Stocks to Own in a Recession

Description

North American indices were throttled to start the month of October. The Institute for Supply Management revealed on Tuesday that the U.S. manufacturing sector had entered recession. The two straight quarters of contraction plunged the sector to its lowest level since the 2008 financial crisis.

The World Trade Organization (WTO) stated that growth in trade this year would be at its lowest level in a decade, calling the ongoing global trade war a “destructive cycle of recrimination.” This conflict showed no signs of slowing down this week.

On the same day of the market bloodbath on October 2, the United States announced the imposition of an additional \$7.5 billion in tariffs on imports from the European Union.

The **S&P/TSX Composite Index** shed over 130 points on October 2. Canada posted better-than-expected GDP growth in the second quarter, but the Bank of Canada has continued to warn of broader headwinds.

If a recession hits, investors need to think about how they will react. Today I want to look at two stocks worth considering in the event of an economic slowdown.

Molson Coors

Back in March I'd discussed the behaviour of “sin industries” in [difficult economic times](#). The alcohol industry has been resilient during past recessions, and the legalization of cannabis will also give us the opportunity to see how this sector behaves in turbulent economic periods. The data indicates that cannabis use has remained steady in times of recession.

Molson Coors ([TSX:TPX.B](#))([NYSE:TAP](#)) is one of the largest brewers in the world. Shares have climbed 9% over the past month. The company recently partnered with **HEXO** in a bid to produce cannabis-infused beverages ahead of the next wave of legalization, which will see legal edibles hit the market. With a recession potentially on the horizon, I'm targeting alcohol and cannabis stocks as wild cards.

At the time of writing, Molson Coors stock possessed a favourable price-to-earnings ratio of 14 and a price-to-book of 0.9. The company last declared a quarterly dividend of \$0.74 per share, which represents a 3.8% yield.

Fortis

Markets were hit with major turbulence at this same time in late 2018. This was also related to concerns over global growth and the intensifying trade war. The shake-up inspired central banks to back off from their rate tightening path. At the time, I'd suggested that **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) was a [great stock](#) to pick up.

Shares of Fortis have climbed 26% in 2019 as of close on October 2. Bond yields were hit hard in the spring and summer, and utility stocks are some of the best alternatives for income investors due to their stability and steady income. In this regard, Fortis is in a class of its own on the TSX.

The company last announced a quarterly dividend of \$0.45 per share, representing a 3.4% yield. Fortis has achieved dividend growth for 45 consecutive years.

Fortis is investing billions in expanding its rate base and expects this to support dividend growth into the middle of the next decade. This is a dividend stock to rely on in a shaky market.

CATEGORY

1. Investing

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1. NYSE:FTS (Fortis Inc.)
2. NYSE:TAP (Molson Coors Beverage Company)
3. TSX:FTS (Fortis Inc.)
4. TSX:TPX.B (Molson Coors Canada Inc.)

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