Warning: Why Increased Recession Talk Is a Troubling Sign

Description

As talk of a recession seemingly continues to grow by the day amid more news reports of the same, the one thing all investors want to know is if a recession does happen, how will it affect their portfolios?

The trouble with increased recession talk is that as it continues, and especially as it gets more frequent, the chances of a recession materializing actually increase.

All too often recession reports come out amid an already weak economy — one that was already going to naturally slow down. Consumers, however, can accelerate the economy's slowdown just by reacting to the news and taking steps to protect their finances.

Consider this: if a family has been accumulating debt over the last few years, thanks to low interest rates and a growing economy, and they continually see recession headlines, eventually the concern will grow large enough that they will start to take steps to protect their finances.

They may reduce their spending or begin to pay down debt, which, together with others who are doing the same thing, can cause a slowdown.

Not everyone will react this way, but all it takes is a few people to prompt a snowball effect.

Soon, reports of a reduction in spending will make their way to the headlines, and the increased narrative will only fuel the fire, causing more people to do the same.

In financial markets, essentially the same thing happens to cause a market downturn. As more investors grow anxious about a crash, they will begin to sell stocks and drive down the price.

This causes more investors to do the same, and unless there is a catalyst for investors to want to buy, the market will enter a free fall.

That's why it's paramount for investors pay attention to headlines and have a plan. Even if you don't want to sell stock and potentially miss out on some upside, you should be prepared for anything and a recession or market crash shouldn't come by surprise.

One stock to add to your portfolio if you're worried about a recession is **Barrick Gold Corp** (TSX:ABX)(NYSE:GOLD).

Barrick is the largest gold company in the world, making it an ideal buy for investors worried about a recession, as gold tends to be one of the better-performing assets during times of economic uncertainty.

It's also one of the better known and top performers in the industry, so investors are usually attracted to Barrick over some of its peers because of its strong reputation.

Its size also gives it operational strength and flexibility, allowing it to diversify its production, which naturally reduces the risk for investors.

To get an idea of how big it is, Barrick has 10 mines that produce more than 200,000 ounces a year each; 200,000 ounces a year is more than some company's entire operations, and Barrick owns a number of these assets diversified across the globe.

In total, it will do more than five million ounces this year while it continues to decrease its costs through realized synergies from mergers and the closure of some global offices.

Its stock is up nearly 25% year to date, which is expected due to the uncertainty in the markets, but it's not overbought, offering investors a decent price to get exposed ahead of a market crash.

Preparing for a recession is not just about adding the right stocks, however; it's also about eliminating or severely reducing your exposure to those stocks that could really hurt your portfolio.

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