Buy This 1 Stock to Decrease Risk in Your Portfolio

Description

A North American recession may be on the way — at least, that's what some analysts are saying, basing their bearish outlook on signals from flipped yield curves to weak industrial data. While the likelihood of a Canadian recession could be lower than it is for our southern cousins, the fact remains that a downturn could end up being contagious.

And while it's easy to point to factors such as the ongoing trade war and Brexit uncertainty as drivers of a gathering global recession, the economic stress building in North America and Europe arguably goes deeper than either of these stressors. Indeed, taking a macro point of view, from a North American credit bubble to a somewhat mixed housing market, the economic fault lines that caused the 2008 financial earthquake never really went away.

Investors should start recession-proofing their portfolios

As far as defensive plays on the TSX go, waste management stock **Waste Connections** (TSX:WCN)(NYSE:WCN) is a strong choice for an investor looking to re-purpose a TFSA, RRSP, or other stock portfolio ahead of a potential downturn. A major commercial services stock, Waste Connections is the third-largest North American waste management player and a sturdy long-term investment.

Providing solid waste and recycling services across the U.S. and Canada, Waste Connections boasts some impressive figures. The business operates 145 transfer stations, more than 60 recycling operations, and in the region of 90 landfills, serving commercial, domestic, and industrial customers, as well as clients in the energy sector. Post-merger with Progressive Waste, the company sources approximately 16% of its revenue from the Canadian market.

While its dividend yield is noticeably on the small side at under 1%, and its fundamentals suggest overvaluation, Waste Connections nevertheless has a positive outlook. Investors may want to play for momentum with the company announcing its Q3 at the end of the month or buy the current dip and hold for long-range capital appreciation.

Watch this space for a new player

Investors on the lookout for hot IPOs to jump on in defensive sectors should also keep an eye out for GFL Environmental's initial public offering, which could come later this year and would no doubt take the waste industry by storm. GFL, a key player in North American waste management, would be able to use funds raised from going public to boost its footprint in the U.S.

GFL stock would likely be popular with investors and could offer potential for high capital returns. As the fourth-largest waste management outfit in North America, GFL's boost from a possible $1.5 billion IPO could see the company surge forwards, offering would-be investors a source of considerable upside.

The bottom line

Whether or not a market correction actually ends up happening, the number of potential disruptors in the works means that now is as good a time as any to start cutting back on risk and introducing defensive qualities into a portfolio. Adding recession-proof commercial services to a mix of TSX stocks is a low-risk play for safety as well as a strong long-term strategy for capital appreciation.

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