2 Stocks That Could Help Prepare Your Portfolio for a Recession

Description

If you're worried about a recession coming and want to prepare for it, the good news is that there's still plenty of time to do so. By holding stocks that could offer some stability during a downturn, you could prevent your portfolio from suffering a big correction along the way. Below are two stocks that could be great options to hold now and even during a recession.

Dollarama (TSX:DOL) may seem like an odd choice to have on this list given that it's primarily a growth stock. And while that's true, Dollarama isn't a cheap buy at a multiple of 27 times its earnings. However, where it does have appeal is in its business model. The company's focus on low-priced items gives it a unique opportunity to potentially benefit from tougher economic conditions.

During a downturn, consumers could find themselves strapped for cash and in need of any way to save an extra dollar here and there. And one way to do so is to ditch department stores and turn to a dollar store like Dollarama instead. The store has many household items that consumers could use rather than name-brand products from higher-end stores, or even just department stores, for that matter.

If consumers are forced to cut down their spending habits, that could lead to more traffic coming through Dollarama's doors, and that could conceivably give the company's sales a boost. With items priced at no more than $4, consumers will be able to have more control over their expenses and not be surrounded by appealing, higher-priced items to add to their purchases. And with Dollarama still being a good growth stock, the extra injection of traffic could help deliver the stock back on a stronger trajectory, generating positive returns for investors.

And as a small added benefit, Dollarama investors also will benefit from a modest dividend. Although it's by no means large, the 0.37% yield will still be a way to help pad your returns.

AltaGas (TSX:ALA) is more of a conventional option for investors. The energy company has utility services making up a big piece of its business, and that could help provide the stock with the stability it needs to continue to rise in value in case oil prices continue to struggle. While the company has gone through some tough times that even included AltaGas slashing its dividend, the good news forinvestors is that there have now been three straight quarters where the company has posted a profit.

AltaGas has also been cash flow positive from its operations for the past two quarters as well. And over the past four quarters, the company has paid down $2.9 billion in debt. These are all good things that will help make the company a stronger, more versatile investment. While oil prices will still have a big impact on the company, given how low they are, there's not a risk of a big correction happening that should put investors on high alert.

Although the company did reduce its dividend payments, the stock is still yielding around 5% per year. And with payouts being made on a monthly basis, AltaGas could be a great option for income investors that are looking for payments that are more often than quarterly.

With the company now more focused on its U.S. operations, AltaGas could also have less exposure overall to the Canadian market than its peers, helping to minimize its potential risk to the Canadian market and making it a great way to hedge against a possible downturn.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:DOL (Dollarama Inc.)

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Date
2025/07/03
Date Created
2019/10/19
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