2 Low-Risk Stocks for the 2020 Recession

Description

It's time to get ready for the next recession. According to several new polls, economists and fund managers believe the risk of a recession in 2020 is at an all-time high. Nothing is guaranteed, but one thing is certain: if a recession hits, your portfolio will be in danger.

For years the market has headed higher, which has made millions of investors complacent. Don't make the same mistake.

Fortunately, you don't have to move completely to cash to avoid the upcoming bear market. In fact, there are several stocks that could *rise* in value during a recession.

The key to surviving a bear market is to invest in companies that have recession-proof business models that can pay you regular cash no matter where the economy heads.

These resilient dividend stocks will protect your portfolio, giving you much-needed capital to invest at historically low prices.

If you want to recession-proof your portfolio, start with the following two picks.

This stock is bulletproof

Hydro One Ltd (TSX:H) has one of the most resilient business models I've ever come across. Over the last five years, the Canadian government has slowly privatized the company.

Today, roughly half of the stock is owned by the public. Despite its privatization, Hydro One still benefits from government guarantees that ensure minimal volatility.

As a power transmission and distribution company, Hydro One is already insulated from swings in energy prices, which protects its cost base.

On the other side of the equation, pricing, Hydro One is similarly protected. Regulators set pricing ranges *years* in advance for the company.

No matter what happens, the company is cleared by the government to charge its customers a certain amount.

When times are easy, Hydro One's business model becomes under-appreciated. High visibility means the stocks isn't often priced on the cheap.

With a 4% dividend and 5% annual rate base growth, the stock can usually only manage high single-digit annual gains, which isn't very enticing when markets are surging.

If a recession hits, however, you'll be ecstatic to have a high probability of achieving high single-digit returns. When the market goes into freefall, don't be surprised to see Hydro One investors escape unscathed.

Keep making money

Enbridge Inc. (TSX:ENB)(NYSE:ENB) has similar characteristics to Hydro One, chief of which is mitigated volatility.

As a pipeline operator, Enbridge deals directly with the energy sector on a daily basis. That doesn't mean their fates are tied, however. In 2014, for example, oil prices were cut in half. Enbridge stock, meanwhile, *rose* in value.

As with Hydro One, mitigated volatility is built into Enbridge's business model. Pipelines largely charge customers on volumes.

Contracts are rarely tied to commodity prices, so when oil prices plunge, Enbridge is completely insulated.

Additionally, ongoing maintenance costs for a pipeline represent a minuscule fraction of its original construction cost, which results in massive free cash flow generation. Enbridge stock now yields 6.3%.

With billions of dollars in growth projects coming online in 2020, the payout could rise yet again next year, whether or not a recession hits.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:H (Hydro One Limited)

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