1 Low-Risk Stock You Can Buy to Prepare for Recession

Description

As we enter a new decade, 2020 should also be the year you prepare for a recession. We have been discussing an imminent recession hitting the global economy for a long time. According to several new polls, fund managers and economists believe the risk of a slowdown in 2020 is at an all-time high.

I can't guarantee exactly when the next recession will hit, but it will happen sometime soon. Recessions are a part of the economic cycle. The **Toronto Stock Exchange** has been increasingly profitable in recent years.

With the TSX Index climbing higher, many investors have become complacent. Do not make the same mistake because a recession can and will put your investment portfolio in grave danger.

Preparing for a recession is critical, especially in times like these. Many cautious investors prepare for recessions by cashing out all their stocks and move out of the stock market altogether. Let me assure you that there is a better way to deal with the bear market.

There are stocks that can *rise* in value during a recession. If you reprioritize your investment portfolio and add these stocks to your TFSA, you can recession-proof your wealth and possibly earn through the recession.

To this end, a recession-proof stock to consider adding to your portfolio is **Enbridge Inc** (TSX:ENB)(NYSE:ENB).

Canada's biggest pipeline company

With a market capitalization of $104.5 billion as of this writing, Enbridge is Canada's largest pipeline company. It ships crude oil and liquefied natural gas all over continental North America. ENB operates in the energy sector, but it has perfected the art of mitigating the volatility that hits the industry due to changes in commodity prices.

As a pipeline operator, Enbridge's business structure is not affected by the prices of oil and natural gas. Providing transport of the commodities, Enbridge's contracts with energy companies are rarely ever tied with the cost of commodities. The company instead relies on fixed contract agreements that shield it from the effects of volatility.

With a massive network of pipelines already in place and operational, Enbridge spends only a fraction of its revenue for ongoing maintenance costs, which means ENB has substantial free cash flow generation that it can use to invest in further growth and improvements.

Foolish takeaway

When a recession hits, there will still be a need for natural gas and crude oil. The energy sector will operate, regardless of the economic downturn.

As long as there are companies that require transporting oil and natural gas to customers, the likes of ENB will have plenty of business. With a dividend yield of 6.28%, ENB's $51.63 per share as of this writing seems quite attractive.

You should consider investing in Enbridge stocks if you want a low-risk stock that will not just protect your portfolio, but also help it grow via dividend income for the next recession.

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