



## TFSA Investors: A Recession-Resilient Stock to Buy Now

### Description

Just because recession fears have gone into hibernation doesn't mean it's time for you to get comfortable or complacent.

As you may have noticed, billionaire traders are few and far between compared to investors, many of whom adopt [risk-parity \(or all-weather\) strategies](#) to ensure adequate returns in any market environment.

During bull runs, it's hard not to get euphoric and put more money in the markets to scratch your FOMO (fear of missing out) itch. In the heat of the euphoric rush, it's tough to recall what it was like when stocks head downhill in a hurry.

Sell-offs happen, and they're healthy for the market. When investors get too drawn in by the paradigm shift, with headlines and talking heads claiming that "things are different this time," many hungry investors flock together and take on a majority of the damage when sentiment takes a 180-degree reversal without a moment's notice.

Although it's tempting to brag about making a quick buck at the workplace water cooler, it's this behaviour that leads many investors to reckless investment decisions that will become regrettable when the tides inevitably turn.

The smart money makes their *own* decisions, and so too do Foolish contrarians who desire to beat the market. While it's never a good idea to play one side of the coin, either by being 100% bullish or 100% bearish, it's only prudent to have an insurance policy in case your bullish or bearish stance ends up being incorrect.

The smartest investors of our time are not only patient to see things through a wider scope, but they're also humble enough to acknowledge they could be wrong. It's possible that after purchasing a tonne of shares in a company, the recession could kick in, and the markets could tank by 50%.

With that in mind, it's never a good idea to be without a back-up plan in case things finally do go sour.

Consider **Fairfax Financial Holdings** ([TSX:FFH](#)), an insurance and holding company that I like to see as an insurance policy come the next inevitable downturn. With brilliant Canadian investor Prem Watsa at the helm, Fairfax is the epitome of a company that's always concerned with downside protection.

The stock market doesn't always go up. Ask any seasoned investor who's experienced the Great Recession and they'll tell you how miserable things can get when you're in the heat of the moment when stocks fall with no end in sight.

Prem Watsa is an independent thinker who saw the market collapse coming and prepared accordingly, with hedges and short positions that allowed Fairfax to outperform almost every other stock during the financial disaster that was the 2007-08 Financial Crisis.

Although Fairfax is technically an insurer that invests its float, I like to view it as Prem Watsa's hedge fund. While Watsa's abilities are up for debate after the last five years of underperformance and soured investments, I still respect the man's prudence when it comes to ensuring downside protection.

Watsa is bullish on the current state of the U.S. economy and sees it positively-impacting business here in Canada. But he's not going all-in on his bull thesis. He knows there's a chance that he could be wrong, and he still has instruments in place to protect against a substantial decline in the global equity markets.

That's [cautious optimism](#) in a nutshell — and quite possibly the best way to tilt the risk/reward in your favour over the long run.

Fairfax has not received much media coverage recently, mostly because the stock is stuck in limbo and investors would rather chase "sexier" stocks that exhibit momentum.

As a result, Fairfax has faded into the background, and its stock remains severely undervalued despite recent pick up in underwriting, a major focal point of an insurer.

At \$600, I see two layers of protection being provided by Fairfax stock — the cautiously optimistic nature of the company's assets and the margin of safety to be had from the undervaluation of shares.

If you're looking to hedge your bets at all-time highs, look no further than Fairfax, a stock that could buoy your TFSA when the tides come in!

## CATEGORY

1. Investing
2. Stocks for Beginners

## TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

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