2020 Recession: Which TSX Dividend Stocks to Buy for Safety?

Description

Today, we'll take a quick look at two questions that a lot of risk-averse Canadian investors are asking at the moment: Is a recession really on the cards, and why are dividend stocks a good way to stay invested and keep bringing in that cash?

To answer the first question, there is some indication that the bull run could peak this year, and a market correction south of the border could precede a full-blown U.S. recession. Given the volatility of the U.S. political scene and contagious nature of market downturns, it's not inconceivable that Canada experiences a correction of its own.

With some of the world's largest economies teetering — Japan and Germany, for instance, are both showing signs of imminent recession — and so much uncertainty on the horizon, it seems almost inevitable that a market correction could be just around the corner. Luckily, Canadian investors eyeing the global economy with caution have a few solid options right now.

There are numerous sectors that remain resistant to economic crises: insurance, healthcare, and memorial services all fulfill societal needs. Then there is the classic core of safety assets: gold, utilities, and consumer staples. Banks, while cyclical, are also relatively defensive plays, since the most strategically significant of them must be shielded to protect the integrity of the economy itself.

Stocks like gold miner **Newmont** are especially attractive at the moment. Newmont also pays a dividend, with a 1.26% yield offering quarterly passive income and a solid shield for the long-distance TSX stock portfolio. Straddling four continents, Newmont is low risk, geographically speaking, while its six- to seven-million-ounce gold production makes for an annual output worthy of a long position.

Combining **Canadian Apartment Properties REIT** (CAPREIT) and Newmont neatly covers both accommodation real estate and gold — two of the strongest asset types for investors to stash in a long-term stock portfolio if they're getting concerned about a market downturn later on in the year. By packing utilities with residential real estate and gold, investors can further insure against a recession.

These are all strong plays for passive income, too, and, in most cases offer payment reliability. For a consumer staples stock, investors can think about adding **Nutrien** — a solid catch-all for food security and a wide-moat stock to boot. If wide economic moats are part of a long-term investment strategy, stocks to buy for stability also include **CN Rail**, which is effectively a support strut for the entire economy.

The bottom line

Buying stocks for dividends is a popular investment strategy that brings in extra cash during tough times and can be used either as spending money, for reinvesting, or simply for long-term savings. While some stocks pay quarterly dividends, like Nutrien, others have a monthly payout, such as CAPREIT.

Either way, a TSX investor buying the strongest dividend stocks adds passive wealth creation that accrues regularly to those longer-term capital gains. Mixing and matching the safest assets on the TSX while creating passive wealth is a classic play in times of economic stress.

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