1 Consumer Staple Stock to Protect Your Portfolio From a Recession

Description

Markets have been booming the last few years both north and south of the border. Even as current Coronavirus fears weigh down markets one day, the next day they come storming back, continuously reaching new all-time highs.

default watermark

While this is great for investors' portfolios in the short term, the prudent move would be to look ahead and prepare for what's coming next.

Experts have called for a recession soon, stating the likelihood of economic turmoil seems to be getting stronger by the month for a variety of reasons.

Although the economy has been strong, it's slowly reaching its capacity, and as debt loads start to weigh on consumer spending and the velocity of money starts to slow, things could take a turn for the worse rather quickly.

Investors should be prepared for this impending recession and corresponding market crash, and while that doesn't mean you should go out and sell all your stocks, increasing your weighting of defensive industries like consumer staples is a great way to improve the resiliency of your portfolio.

Defensive stocks are more recession proof because of the nature of their businesses. Consumer staples, for example, sell items that consumers need, such as food and pharmaceuticals, as opposed to discretionary items, such as entertainment or luxury goods.

Because of this, the impact to consumer staple businesses when consumers have less spending money in their pockets is much less pronounced than a lot of other industries, making companies in that industry ideal stocks to hold in your portfolio, especially as the economy reaches its peak.

In addition, because investors know about the strength of defensive stocks, they are less likely to sell these companies in a market crash, because there won't be as much fear surrounding the companies' operations, allowing the stocks to hold up better and protect investors wealth when the market is melting down.

One of the top consumer staples on the TSX to buy today is **North West Company** (TSX:NWC).

North West owns a number of stores in remote communities that are responsible for providing the residents of those communities with all their living needs. It operates in northern Canada, western Canada, Alaska, and the Caribbean.

Not only is it a great company because it sells products consumers need, but because it serves remote areas, entire communities rely on it, considerably strengthening the economics of its business.

North West also owns a small airline to help integrate its business, which strengthens its operations even more by cutting costs and creating strong synergies to help boost sales.

It's a strong company growing with discipline over the long term, making it a great stock for investors to buy as part of the core of their portfolio, increasing the size of the position only when the stock is trading at an attractive price, like it is now.

At current prices, North West is trading at the bottom of its 52-week range at a price-to-earnings ratio of just 16.7 times.

At these ultra-low trading prices, North West's dividend is yielding 4.9% — an attractive payout, especially if the economy does slip into a recession soon.

default watermark

Analysts seem to like North West's prospects, too, as the consensus target price is $31, nearly 15% upside, and with its 4.9% dividend, investors have potential to see almost 20% in the near term, while strengthening their portfolios in case of a recession.

Finding companies with resilient businesses like North West and trading at attractive prices is not easy to find these days, so take advantage of this opportunistic share price from North West and add this top company to both grow and protect your wealth, no matter what the economy does.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2020/02/25
Author
danieldacosta

default watermark

default watermark