



Coronavirus Market Crash: 2 Safe-Haven Stocks to Buy as Recession Looms

Description

We're probably already in the midst of recession right about now.

The **TSX Index** and **S&P 500** are down around 30% at the time of writing over the coronavirus (COVID-19) pandemic and the oil price war. Jim Cramer is in the belief that fiscal policy is needed to avert a potential disaster that could result from this biological crisis. And I think he's right on the money when he claims that the fate of the market lies in the hands of President Trump.

Even if you have faith that a more powerful fiscal stimulus package could be on the way, a recession is probably unavoidable at this point. But for investors, that's fine because the stock market has already priced in a recession, and we're likely more than halfway from hitting the bottom. That is, if we're not already there after Black Thursday's catastrophic implosion.

What to buy in a recession

A recession is defined as two consecutive quarters of negative growth. And given the havoc thus far, we're likely in the first half of what could be a steep [recession](#). So, if you're looking to buy stocks for cheap, [steer clear of cyclical stocks](#) and look to defensives, as they'll fair far better in these times of economic hardship.

For added protection, look to the consumer staples like **Alimentation Couche-Tard** (TSX:ATD.B), **Loblaw** ([TSX:L](#)).

Couche-Tard

Couche-Tard is one of the few defensive growth businesses out there that can stand to grow amid tough times. Unlike the Great Recession of 2007-08, we're in the middle of a pandemic-driven recession, which is being caused by social distancing as the coronavirus (COVID-19) continues spreading across communities across the globe.

In such a fear-driven environment, people are less likely to want the cheapest product and more likely to pay up for a pricier product if it means they'll reduce their contact to crowds. I'd argue that the convenience of ringing out a few rolls of toilet paper and food in three minutes is far worth the premium multiple on the items compared to wandering around a grocery store for 30 minutes, passing by tonnes of people and waiting in a crowded line to pay.

Given Couche-Tard's pandemic-resistant traits, the 12% dip in the stock on Thursday, I believe, is nonsensical, opening up a window of opportunity for "risk-off" investors to pay two quarters to get a dollar.

Combine this with the fact that global turmoil is pressuring Couche's peers, and I think Couche is more likely to acquire a firm like Caltex Australia on its terms. Indeed, Couche's patience is paying off, and for investors, I think their patience will pay off, too.

Loblaw

Loblaw is one of many grocers that's probably making a killing amid panic-buying of toilet paper, hand sanitizer, soap, food, and other supplies. The company sees the rising demand for such products, and it's positioned to meet the demand and get a bit of a margin boost in the process with a modest markup (or lack of discount on any otherwise widely discounted products).

People are flocking to grocery stores to stock up on what could be weeks of self-isolation amid the growing pandemic. Ironically, the rise in grocery store crowds of late may be a major source of contagion. In any case, that's not stopping herds from flocking to grocery stores for supplies that some believe may grow scarce.

Like Couche, Loblaw stock plunged 10.4% on Black Thursday and is another baby that's been thrown out with the bathwater.

Foolish takeaway

Be fearful while others are greedy. But don't try to be a hero by buying the most damaged stocks within the most damaged sectors. Do be greedy, but also be picky. We're likely in a recession, and you're going to want names that can hold their own through this brutal year.

Stay hungry. Stay Foolish.

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Author

joefrenette

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