Is a Recession Coming in 2020?

Description

There are many factors negatively impacting the markets these days. Short-sellers have ample things to focus on when looking at reasons to have a negative outlook on the markets. COVID-19 is causing lots of panic on its own with investors concerned about the global effect it will have for the operations of many big companies.

A tech stock like **Apple**, for instance, could be heavily impacted if the illness is not under control and operations in its factories come to a standstill. With the coronavirus spreading all over the world, any country and any business could be in danger.

And if that weren't enough, there's the more recent issue of a low price of oil potentially crippling oil and gas stocks.

With Saudia Arabia engaging in a price war, it could spell trouble for countries that need a strong oil price. In Canada, that means even normally safe blue-chip stocks like **Enbridge** and **Suncor** could be in trouble.

Throw in the rail blockades thwarting business operations and you've got no shortage of possible reasons why the next round of earnings reports could be very weak in Canada.

The country is already coming off a poor quarter

In the fourth quarter, Canada's GDP grew at an annual run rate of just 0.3%, which is nearly a four-year low. The Bank of Canada has already cut interest rates and more could be on the way this year. Whether or not they believe it's a short-term problem, it's an indication that the government is concerned about the economy's direction.

But given the low rate of growth in Q4 and the economy facing some serious headwinds, things may get worse before they get better.

A recession involves two consecutive quarters of negative economic growth. Although Canada's GDP is still growing, at 0.1% in Q4, there's not much keeping it in positive territory.

Conditions have worsened in 2020, and there's little reason to be optimistic that we won't see a negative growth number in the first quarter — and another one to follow.

What should investors do?

Given the uncertainty in the markets today, investors may want to look at low-beta stocks. A stock that trades at a low beta is less volatile than the markets. It can be a way to avoid a bit of the roller-coaster ride that the markets can sometimes put investors on.

Telus Corporation (TSX:T)(NYSE:TU) trades at a beta of around 0.7 and is one of the safer buys on the TSX. It also pays a dividend that yields close to 5% annually.

A giant in the telecom industry, it's not going to crash due to commodity prices and the Canadian-based stock won't have significant exposure to factors outside its own borders.

The company has routinely posted a strong profit margin of around 10%. And with positive free cash flow in eight of its last 10 quarters, it's in a good position to weather any adversity that may come its way. While Telus may not accumulate significant returns for investors, it can be a safe way to earn a dividend and a modest return.

Between 2017 and 2019, shares of Telus rose by 14%, which is a bit higher than the 11% the TSX increased by. And once you factor in its dividend, Telus looks even better.

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