Recession Investors: Should You Buy This 1 TSX Dividend Stock?

Description

The stock markets are whipsawing at historical levels right now. Pundits are beginning to look beyond short-term recession towards a multi-quarter slump. But there's one sector worth recession investors' money if that happens: renewables.

Green energy accounts for around a quarter of world power production. Policymaking increasingly favours renewables. Geothermal, wind, solar, biomass, and hydropower are all seeing an uptick. Adoption of some of these isn't always smooth sailing, though. Climate has an effect on renewables, for instance, with cloud cover impacting solar energy production.

Downturn investors: This sector is solid

Perhaps the most reliable is wind, with offshore growth starting to kick into high gear. Investors have been taking note, as share prices in affected businesses proved last week. There is certainly a case to be made for swapping out some of those oil shares for offshore wind going forwards.

For a while there, it looked as though the main victim of the coronavirus in the energy word was oil. But now it looks as though renewables will also suffer. Let's take a look a few reasons why this might be the case. We can also review a smart way for Canadian recession investors to combat the downside hitting green energy.

China growth has stalled. Conferences are being canceled because of the spread of COVID-19. Less transactions are going to be made. All of these could be crucial in the green economy space. This could lead to less recessionary strength in green energy than previously expected.

So, how should recession investors play potential market downside? Prices will likely fall further, as the markets catch on to the idea that green energy stocks are impacted. This could open up deeper value opportunities. Hit pause on buying beaten-up names in the green energy space in bulk. Get ready to add more shares slowly as the market deepens. And get ready to hold. Because the market will come back.

A strong buy for low-risk recession investors

That's why holding key renewables like **Northland Power** (TSX:NPI) makes sense. It's a strong buy for exposure to offshore wind power production. Downturn investors might expect to see its share price continue to fall, though, as the market continues to deteriorate. That's why buying shares incrementally makes sense. Add packets of Northland Power shares, as they become cheaper and buy into each new stage of weakness.

Only a few weeks ago, Northland Power's 3.8% dividend yield looked tasty. This week, that yield has rocketed to 5%. Not only that, but its 67% payout ratio signals even more dividend growth ahead. Northland Power is one of the best names to hold for offshore wind growth. Its operations span an impressive geographically diverse area and include the Netherlands, South Korea, and Japan.

The bottom line

Pandemic panic could end up being baked into the markets in the long term. This could allow prices to gradually rise, as the world reorients itself. Green power companies will still keep churning out returns mid- and post-recession. Northland Power is looking like one of the most reliable for recession investors seeking passive income.

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