



Where to Invest \$10,000 in a Recession?

Description

If you find yourself sitting on cash, perhaps \$10,000, count your blessings. It's a chaotic time for the economy and there seems to be some pain ahead.

Experts are now nearly certain we're already in a recession. Canada's national income could decline this quarter and next quarter. It's not a question of "if", but rather, "how deep?" Savvy investments during recessions could bolster your finances considerably. With that in mind, here's how you can deploy \$10,000 during this recession.

Recession-proof stocks

Certain businesses will sail through this crisis unscathed. **Dollarama**, for example, has been allowed to keep stores open even as the rest of the economy shuts down. It's an essential business which has seen demand surge and has announced more hires.

Fortis and **GFL** are other examples of businesses that are insulated from the recession. The trash still needs to be collected, bills need to be paid and groceries need to be bought regardless of unemployment numbers. Reliable demand is always a green flag, but it gets greener during recessions.

Add these to your portfolio if you're worried about the recession and looking for wealth preservation.

Beaten-down growth stocks

If you're looking for wealth creation, it's time to be brave. Several growth stocks with excellent prospects have seen their valuations decline in this recession. **Shopify**, for example, had lost 36% of its value in March and still hasn't reverted to its all-time high.

Canada Goose has lost more than a third of its value and is now trading for the same value as it was in 2017. This recession could be your chance to add these stellar growth stocks at reasonable valuations.

Index funds

Of course, you don't need to buy stocks directly during the recession. Plenty of businesses are on the verge of collapse, and there's no way to predict which stock faces an existential crisis in 2020.

For most investors, betting on the entire economy is better than picking individual stocks. Deploying \$10,000 in a low-cost index fund such as the **iShares S&P/TSX 60 Index ETF** or the **Vanguard S&P 500 Index Fund** is probably a good idea.

Gold

Almost everything loses value during a recession. Even the most robust company and timeless brands see their value decline when the economy turns. If you're concerned about a crisis and want to *bet against the market* your best option is gold.

Gold ETFs, such as **SPDR Gold Trust ETF**, have earned value over the past month. Gold tends to act as a hedge during crises. [Gold miners](#) are another way to hedge your portfolio. These stocks serve as a proxy for investor fear during recessions and sudden crashes.

Bottom line

Don't sit on the sidelines as the stock market presents a historic opportunity. We're certainly heading for a prolonged recession. The number of new COVID-19 cases are still spiking.

However, I'm an optimist. I believe our country will come together, as it already has, to beat this dreadful disease. Meanwhile, the recession could be an opportunity for you to secure your finances for decades. Stay safe! Good luck!

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Date

2025/07/27

Date Created

2020/03/28

Author

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