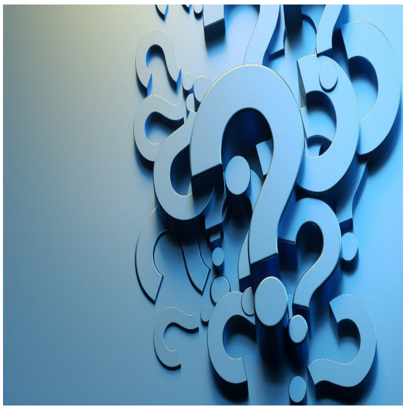

Will BCE (TSX:BCE) Stock Crash in a Recession?

Description

The rapid crash in stocks in the last few weeks has opened up a lot of eyes for investors. No matter how good things may be looking in the economy or stock markets, investors should always be mindful of the risk that they are taking on in their portfolios.

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It's prudent for investors to be considering whether or not stocks would crash in a recession. This is a major consideration before buying any stock. It may also be useful to periodically review your portfolio and see how vulnerable it may be. This way, if your portfolio is carrying more risk, you can reduce some of your higher-risk investments for more stable stocks.

One stock that may have a lot of interest in it is **BCE** (TSX:BCE)(NYSE:BCE) — an investor favourite in Canada.

BCE is the largest of the Big Three telecoms, putting it in a major position. But just because it's a top stock, does that mean it will crash in a recession?

BCE stock in a recession

The first thing to look for when trying to see if a stock can survive a market crash or recession is the economics of its business. When you consider BCE's business and the economics of the industry, that's one of the top reasons to invest in the telecom TSX stock.

Over the last few decades, the telecom sector has grown in importance. Not only is it crucial for our economy, but it's also essential to keep us connected. Telecom services have essentially become a staple — something that consumers feel they need rather than want.

Because of this, the industry is very defensive, so investors can count on the business to be resilient in a recession.

BCE stock in a market crash

Market crashes can happen in conjunction with a recession, or they could be caused by something else completely unrelated. There isn't really any company that can successfully avoid falling in a market crash.

This is called market risk, and, essentially, every stock has some market risk to one degree or another. The reason no stock is immune is because as markets tend to crash, fear intensifies. The fear is what causes every stock to sell-off.

The one exception is that stocks will tend to sell off to different degrees. This is the volatility risk that the stocks carry and is measured through the stocks' beta.

Because BCE is such a high-quality and defensive stock, its beta is below one. This means that it will still fall in a recession but likely not as much as the broader market.

For example, in this recent market crash in late February and early March, the TSX fell more than 35%, while BCE only fell by roughly 27%.

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Should you buy today?

BCE has a tonne of qualities and is always a top stock to consider adding to your portfolio. It continues to reinvest and grow the business. Plus, with the introduction of the 5G network, the company will have natural growth for years to come.

The company is exceptionally well run and has highly profitable operations. The massive cash flow it makes allows it to invest in significant infrastructure upgrades while also continuously increasing the dividend.

Plus, BCE is one of the most attractive stocks on the Canadian Dividend Aristocrat list. It's increased the dividend by 28% in just the last five years. Today, that dividend is yielding upwards of 5.8%.

Bottom line

BCE stock is not immune to market risk and would be sold-off with the rest of stocks in a market crash. With that being said, the stock would still hold up much better than the majority of other TSX stocks.

Furthermore, long-term investors should welcome a further decline in the stock price; it will help them build their position in this top long-term stock and lower their average cost.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

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