Buying Stocks in a Recession? Think Super Long Term

Description

Investors are having to navigate a fast-moving economic meltdown right now. The rallies are hiding a potential bear pit full of broken businesses and wrecked portfolios. However, some pundits have been going so far as to use the word *recovery* when speaking of the recent rallies. But the pain is not over yet. Indeed, with the recourse to economic stimuli quickly running out, a bigger storm could be brewing.

Tracking the economic storm

An unusual situation calls for unusual indicators. Everything from manufacturing to restaurant bookings, mortgage applications, to public transportation usage is down. This is all obvious, of course. But these metrics are fast-moving, and may be a more useful set of indicators of a recession than the traditional ones. Aside from their efficacy as recessionary indicators, such industries also represent undue risk in a portfolio.

Take REITs, for instance. There is only one form of REIT even worth a second glance at the moment: healthcare. Out of the window are retail, office space, and even apartment REITs. There was a time when the latter asset type was considered not only strongly defensive but even recession-proof. Not in this recession. Analysts are already saying that this one is going to be different. The solution? Think longer term.

Buy “outside-the-box” stocks

If you really want to think long term, look at the space industry. The **NYSE** just got its first space tourism ticker in **Virgin Galactic**. Meanwhile, **Tesla** sister company SpaceX is strongly partnered with NASA. Every sector on Earth could get a boost from the space industry. The hospitalities, hit hard by the lockdown, could have a truly stellar future. Likewise, big mining names could see their resources massively expanded.

Perhaps you’re not so interested in the off-world colonization dreams of Elon Musk. Consider **Shopify**. Arguably the best tech stock on the TSX, Shopify can boast around a million clients. Its e-commerce growth model could bring shareholders steep returns for years to come. Its twin-stream business model allows for market penetration on two fronts. Subscription accounts for around 43% of its revenue, while merchant solutions makes up the rest.

The prospects for Shopify are technically limitless, with a flexible e-commerce business model applicable to every area of industry. It's a key play for cannabis upside as well as a buy for potentially gravity-defying momentum in its own right. This key Canadian name has gained 37% during the virus outbreak and shows no signs of slowing down. For a truly futuristic portfolio, Shopify could be paired with a miner like **Rio Tinto**, which already has offworld mining ambitions.

The bottom line

The market rally is a smokescreen. Until a vaccine is produced and shown to be effective, the economy is still at the mercy of the virus. Some sectors have been set back by years. And all the while, a cheap money bubble is inflating. Investors should use the rallies to trim weaker names from their portfolios. Investors should think outside the box, settle in for more frothiness, and hold quality names for the long term.

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