3 Stocks to Buy During a Recession

Description

If you’re worried about a recession coming up, there are some ways you can protect your portfolio, including strategically investing in defensive industries or in stocks that could become undervalued during a recession. Below are three stocks that you can buy and hold during a downturn and that can be safe places to park your money while the economy bounces back.

iShares Canadian Select Dividend

The **iShares Canadian Select Dividend Index ETF** (TSX:XDV) is a great option for investors who don’t know which stocks to invest in. The company holds some of the top dividend stocks on the TSX. Dividend payments can provide your portfolio with some recurring income at a time when any sort of return could be valuable. Financial services make up more than 58% of the fund’s holdings. And big banks **Canadian Imperial Bank of Commerce** and **Royal Bank of Canada** are its top two holdings.

Financial stocks may be risky to hold during a recession, but they can still provide valuable dividend income. And once the economy starts to recover, so too will their share prices. Buying during a recession can be a great way to take advantage of a bearish outlook on them, making the Canada Select Dividend a better deal when that happens. That can also lead to greater returns later on. Currently, the fund yields a solid 5.5%.

Sienna Senior Living

Sienna Senior Living (TSX:SIA) is a good stock to hold whether it’s a recession or not, as the company offers essential services to seniors. With options that include long-term care, independent, and assisted living, Sienna can fit the needs of many seniors. The Ontario-based company has recorded a profit in each of the past five years. During that time, it’s also seen its revenue grow from $470 million to $670 million for an increase of 43%. The company released its first-quarter results last week, which showed modest year-over-year revenue growth of 1.7%.

In addition, Sienna’s consistently recorded positive free cash flow in each of the past nine years, often with plenty of room to support its dividend. Currently, the stock pays investors a monthly payout of $0.078, which, on an annual basis, yields an impressive 8.8%. Some of its facilities and residences in Ontario are currently battling outbreaks of COVID-19, and that may impact the company’s near-term performance. But for long-term investors, Sienna is in a good position to get through the pandemic with sufficient liquidity and strong demand for its services.

Dollarama

Dollarama (TSX:DOL) has been one of the better buys on the TSX this year. Through the first four months of 2020, shares of Dollarama were down a modest 2.4%, while the TSX fell by 14.5% during the same period. The dollar store chain saw a surge in traffic of people stockpiling during the early stages of the pandemic. During a recession it can have significant value for consumers who are looking to cut their expenses and save as much as they can. Rather than buying from big-box stores, consumers can achieve significant cost savings when shopping for household items at Dollarama stores.

As a small bonus, the stock also pays a dividend that yields around 0.4%. It may not be much, but it’s an extra boost and it can still pay you more than you can expect from a bank account these days. The Montreal-based company releases its quarterly results next month. At that point, investors will have a better idea of how it’s doing during the pandemic and where its share price may go in the near term.

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2. TSX:SIA (Sienna Senior Living Inc.)
3. TSX:XDV (iShares Canadian Select Dividend Index ETF)

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