



Top TSX Stocks to Buy in a Recession

Description

In March 2020, **TSX** stocks witnessed some of the worst crashes ever amid rising uncertainties in the pandemic. While we are still fighting with the virus, the economic impact has started coming to the fore, with Canada entering a [recession](#) this month. However, stocks just kept soaring higher, and the **TSX Index** is up about 35% in the last two months.

How should long-term investors play the market in the current scenario?

TSX stocks with non-cyclical nature that is businesses with earnings not correlated with economic cycles will generally outperform in recessions. Let's take a look at two such TSX stocks.

TSX stocks that are well placed in bull as well as bear markets

The \$34 billion **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) is a company that provides integrated waste-related services. It is the third-largest waste management company in North America and generates 85% of business from the U.S.

The company has been consistently [growing](#) its revenues and earnings in the last five years. Even during an economic downturn, the company's financials are expected to remain stable mainly due to its non-cyclical nature of business.

Waste management is a comparatively slow-growing industry. Investors cannot expect stellar returns in a shorter span of time. However, TSX stocks like Waste Connections offer an effective hedge amid these volatile times.

In the last five years, WCN stock has returned more than 130%, while the TSX Index returned only around 14%.

In the recent market crashes, Waste Connections stock was quite weak but was also quick to recover. It is one of the best options for Canadians to own in bull as well as bear markets.

Low correlation with broader markets

Utility stocks generally have a low correlation with broader markets. Thus, their slow stock movements and stable dividends are preferred by investors during economic uncertainties.

One such top utility stock Canadian investors have is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). It is one of the biggest regulated utilities in the country.

It generates a large chunk of its earnings from regulated operations, which facilitate earnings stability and predictability. This makes the TSX stock a safe bet and an apt pick for long-term investors.

Algonquin offers a dividend yield of close to 5%, higher than many peer TSX stocks. It means if an investor invests \$50,000 in AQN stock, they will generate approximately \$620 in dividends quarterly in 2020. Notably, the management aims to increase these payouts by 7% per year for the next few years.

Utilities are generally slow-moving stocks. However, Algonquin is a relatively faster-growing utility, and the stock has more than doubled in the last five years. With its strong dividend profile and solid capital gain prospects, AQN offers an attractive total return proposition for long-term investors.

Another investment option during recessions is gold. Gold generally trades inversely to equities. Investors can consider **iShares Gold Bullion (CAD Hedged) ETF** to hedge a market crash. The fund offers exposure to physical gold prices. It is already up about 15% so far this year and will likely continue rallying if the market weakness persists.

A fair exposure to defensive stocks and gold will play well in all kinds of markets, not just for economic uncertainties. It will generate a stable return along with protection from unexpected weaknesses.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:WCN (Waste Connections)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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