3 Recession-Ready TSX Stocks to Lap Up Right Now

Description

The ill effects of coronavirus on the economy are still unknown. However, rising infections, a weak GDP forecast, and an increased unemployment rate indicate that we are heading towards a recession. Amid weakness, it is prudent to add a few TSX stocks to your portfolio that are recession-proof and provide safety and stability.

Here are three such low-risk TSX companies that could perform well in a recession and should continue to make money.

Metro

Shares of food and pharmacy giant **Metro** (TSX:MRU) are a perfect investment option to ride out recession with ease and add a safety net to your portfolio. Its business is less susceptible to economic downturns and high volatility in the market.

Metro continues to witness a steady demand for its products and offerings, which should protect the downside risk. Investors should note that Metro stock was mostly stable, despite the broader markets witnessing huge volatility in March.

The pandemic-led demand should drive its food sales in the near term. Its expansion of online grocery shopping services, the addition of new stores, supply-chain re-investments, and cost savings should support its margins. Metro stock has a negative beta (five-year monthly) of 0.1. The negative beta indicates that wild market swings are unlikely to have much of an impact on its stock.

The company's stable business and strong cash flows support its payouts. Metro has raised its dividends for 26 years straight and offers a decent yield of 1.5%.

Its recession-proof business, sustained momentum in the same-store sales, and consistent dividend growth are the top three reasons why you should lap up Metro stock right now.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another top stock to protect the downside in your portfolio during a recession. Investors can benefit from its steady dividends. Almost all of its earnings come from the rate-regulated utility assets. Moreover, nearly 82% of its revenues are protected by regulatory mechanisms or through residential sales.

Economic downturns or a second wave of the virus are unlikely to impact its business. Moreover, the consistent growth in its rate base indicates that its payouts are safe and should continue to increase. Fortis offers a healthy forward yield of 3.6% and expects its dividends to increase by 6% annually in the coming years. The stock has a very low beta of 0.1, implying it is mostly immune to large market swings.

Its predictable and growing cash flows, solid dividends, and recession-resilient business make Fortis a top stock to rely on amid uncertainty.

Canadian National Railway

Shares of **Canadian National Railway** (TSX:CNR)(NYSE:CNI) should do pretty well amid a recession. Part of essential services, Canadian National Railway should generate consistent growth for its investors. The company's strong fundamentals, consistent operating performance, and ability to accelerate growth through acquisitions should help make it a top long-term investment option.

Its revenues and earnings have steadily grown at a high single-digit rate over the past several years thanks to the strong customer base, diversified portfolio, and strategic acquisitions. Moreover, its free cash flows have also grown at an impressive pace, supporting its payouts.

Canadian National Railway is a Dividend Aristocrat and offers a forward dividend yield of 1.8% and is among the top TSX stocks to bet on for steady growth.

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