Market Crash 2020: 2 Recession-Proof Stocks to Buy Now

Description

Diversification and rapid growth don't always go hand in hand. And according to Warren Buffett, if you know what you are doing, you might not need diversification in the first place. But as 2020 has no doubt taught some investors, it pays to have some recession-proof stocks in your investment portfolio, even if they slow down your growth a few percentage points.

That's because when your portfolio is going down in value, these stocks might be able to save it from sinking to the bottom (only if they make up a sizeable portion of your portfolio). It's difficult to find stocks that don't even budge when the market crashes, because even safe-haven stocks like gold dip during recessions. Instead, look for recession-proof stocks that recover rapidly.

A consumer staple stock

Consumer staple stocks are classically defensive. They might do great all year round, especially compared to cyclical stock, and they can be trusted during a market crash. This is probably one of the reasons why **Alimentation Couche-Tard** (TSX:ATD.B) recovered its pre-pandemic highest valuation by mid-July. This Laval-based company owns convenience stores and has an impressive geographic footprint.

In Canada, the store enjoys a dominant position in the province of Quebec. As of 2020, the company has 14,471 sites across five continents. Most of them are in the U.S. and Canada. About 5,000 sites are in Europe, Asia, and Africa. The company also relies upon fuel stations to generate revenue, and that part of its business took a severe hit in 2020. Still, the stock recovered and grew.

It's also a dividend aristocrat and has been increasing its payouts for a decade. The 0.62% yield isn't very impressive, but it has increased its dividends by 107% in the last five years. It also offers decent growth potential, and its three-year CAGR is 12.77%.

A railway stock

The pandemic-driven market crash was powerful enough to bring several airlines around the globe down but couldn't do much harm to Canada's premier railway stock: **Canadian National Railway** (TSX:CNR)(NYSE:CNI). It showed remarkable resilience in the great recession and can be considered one of the safest and most consistent recession-proof growth stocks that the TSX has to offer.

And that list of adjectives comes with a relatively hefty price tag. CNR is currently trading at a price-to-earnings ratio of about 30 and price-to-book ratio of about 5.2 times. So, a better occasion to buy this crash-resistant stock would actually be another market crash. In March, the stock fell about 25%, and if it goes down that road again (or a bit further than that), then you'll have the chance to lock in a better yield as well.

Foolish takeaway

Both stocks are established dividend aristocrats, which business models and services perform well even in recessions, market crashes, and pandemics. They are also in businesses where the chances of new disruptive companies rapidly reshaping the whole market are relatively low, so they might not see any significant competition anytime soon. Adding these two aristocrats to your portfolio for the long term would be an excellent defensive strategy.

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