3 Recession-Ready TSX Stocks to Buy Right Now

Description

It’s good to have a few stocks in your portfolio that remain recession ready, especially when the economic trajectory is unknown. Besides adding a safety net to your portfolio, these companies could continue to outperform the broader markets and consistently generate steady returns.

We’ll discuss three recession-ready TSX stocks that could continue to generate healthy returns irrespective of the economic situation.

Metro

Metro (TSX:MRU) has consistently generated stellar returns over the past several years and outperformed the broader markets as well as its peers. Its recession-resistant business, including 950 food stores and 650 drugstores, appeals to all demographics and drives its double-digit earnings growth.

In fiscal 2020, its revenues increased by 7.3%, reflecting strong food sales. Meanwhile, its bottom line jumped 15.1%. Thanks to its strong financial performance, Metro has increased its dividends uninterrupted for 26 years in a row. Moreover, it has delivered an ROE (return on equity) of over 12% in the last 27 years.

Metro is expanding its omnichannel capabilities, which augurs well for growth amid increased adoption of online grocery shopping. Metro is adding capacity in urban areas and is planning to increase the number of stores offering the click & collect service to 100 by the end of fiscal 2021 from 40 at present.

Metro is a low-beta stock, implying that large market swings are unlikely to impact its performance. Currently, the Dividend Aristocrat offers a yield of 1.5%, while its stock is up about 14% year to date.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) stock is another top investment option that should add stability to your portfolio. The utility giant has delivered an average annual total shareholder return of 14% and has consistently generated high-quality earnings that drove its dividends.

Fortis generates 99% of earnings from utility assets, making it relatively immune to economic situations. The company continues to invest in regulated assets, which implies that its future earnings and dividends could grow at a decent pace.

Fortis has consistently raised its dividends for 47 years and expects it to increase by 6% annually over the next five years. Its recession-resilient business and robust cash flows could continue to drive its stock higher and help investors generate a growing passive income in the coming years.

Kinross Gold

Speaking of recession, don't forget to add a high-quality gold stock to your portfolio. An economic slowdown is likely to push the demand for gold higher and drive the shares of gold mining companies higher.

With its growing production base and declining cost trends, **Kinross Gold** (TSX:K)(NYSE:KGC) remains well positioned to deliver robust growth in the coming years. Kinross Gold has reinstated its dividends, and its stock is trading at an attractive valuation multiple.

Kinross Gold is trading at a next 12-month EV-to-EBITDA multiple of 5.2, which is significantly below its peer group average and suggests further expansion in its multiple.

Bottom line

These TSX-listed companies are expected to deliver consistent growth and outperform the broader markets in the coming years, irrespective of the economic downturn. The addition of these recession-ready stocks is likely to add a much-needed safety net to your portfolio.

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3. TSX:FTS (Fortis Inc.)

4. TSX:K (Kinross Gold Corporation)
5. TSX:MRU (Metro Inc.)

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Date
2025/08/27
Date Created
2020/12/04
Author
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