2 Nearly Flawless Stocks to Buy If You Fear a Recession

Description

Economists say Canada has been in recession since May 2020 following two consecutive months of gross domestic product (GDP) decline (March and April). The good news is that the Canadian economy is recovering better than other advanced nations. Still, the abnormal recession today strikes fear among investors.

If you're on a quest toward financial freedom or retirement, you must find appropriate assets with dividend stability because the businesses can mitigate risks. **Capital Power** (TSX:CPX) and **TC Energy** (TSX:TRP)(NYSE:TRP) are passive income machines. The companies' attributes can weather economic downturns, even the deepest recessions.

Growth-oriented power generator

A leading wholesale power generator in Canada like Capital Power should attract risk-averse investors. The $4.13 billion company has 28 facilities across North America. Its power generation capacity of over 6,500 MW is mostly contracted. The end users are commercial, large industrial, government, and institutional customers.

The key takeaway for Capital Power is that a balanced portfolio of natural gas, Natural gas/coal dual-fuel, and renewables contribute to total revenue. Its exposure to coal is near-zero. Furthermore, the average economic life of the assets is 14%, where only 2% are due for retirement over the next decade.

This leading growth-oriented power producer should benefit from the electrification trend in Canada, especially renewable generation. Capital Power's gas and renewables generation technology has doubled. For this reason, management projects adjusted EBITDA from renewables to increase from 27% last year to 34% in 2025. It's achievable given the improving outlook in Alberta's power market.

The dividends should be safe because cash flow is stable. Capital Power enters into secured fixed-price contracts, where currently, the average contract life is 10 years. If you were to initiate a position today, the share price is $38.49, and the dividend yield is a high 5.37%.

Rate regulated assets

TC Energy is not easy to pass up, even if the energy sector is a bit risky. The $58.52 billion company supplies more than 25% of North America's daily consumption of natural gas. Hence, the business is enduring. Moreover, it boasts a strong portfolio of diversified assets, storage facilities and power generation plants.

The 57,500 miles long natural gas pipeline network TC Energy operates is one of North America's largest. All of the energy infrastructure businesses (natural gas, nuclear, and wind) complement each other. The company has been serving its core geographies (Canada, Mexico, and the U.S.) for 65 years.

In early 2020, the company put about $5.9 billion worth of growth projects (new long-term contracted and rate-regulated assets) into service. This energy stock is for yield-hungry investors chasing after stable income. At $59.28 per share, TC Energy pays an eye-popping 5.87% dividend. The payouts should be safe since low-risk regulated cost-of-service businesses and long-term contracted energy infrastructure delivers uninterrupted cash flows.

Avoid loss-aversion tendency

A seasoned investor will always keep a cool head and maintain composure regardless of market fluctuations You could lose more if you tend to lean towards a loss-aversion strategy. The better approach to invest in near-flawless stocks like Capital Power and TC Energy. If you own one or both, you don't need to rebalance your portfolio or leave the market when recession strikes.

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1. Dividend Stocks
2. Energy Stocks
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