2 Must-Own Stocks if You Worry a Recession Will Come

Description

The 230,700 job additions in June 2021 were welcome news following the 68,000 jobs lost in May. According to Statistics Canada, the 7.8% unemployment rate was the lowest thus far since the 7.5% in March. The country was nearly 2% shy of the pre-pandemic employment levels in February 2020.

Canada's economy has endured the pandemic-induced recession and its devastating effects. However, the coast isn't clear for a full recovery because of the emergence of new coronavirus variants. The gains could be for naught if the government orders renewed lockdowns for public safety.

A relapse or return to a recessionary environment could happen. If you feel uneasy or worrisome, it would be best to move to safer ground. If you don't have **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Fortis** (TSX:FTS)(NYSE:FTS) in your portfolio, it's time to own both stocks now.

Financial cushion

BMO is a perennial choice of income investors. Canada's fourth-largest bank will not disappoint if you need uninterrupted passive income, with or without a recession. The prestigious bank hasn't missed a dividend payment since 1829. Its 192-year dividend history is the longest on record.

The $64.61 billion bank has proven its grit in moving through tough economic times. Like BMO, watch out for signs of a recession such as declining GDP for two consecutive quarters and loss of consumer confidence. Prepare a financial cushion and recession strategy.

BMO raised its provision for credit losses (PCLs) to $1.46 billion in 2020 for fear of loan defaults. Fortunately, the bank's credit quality didn't deteriorate. In the first half of fiscal 2021 (six months ended April 30, 2021), the PCL is down to $216 million.

Investors anticipate a dividend increase if the banking sector regulator lifts the restriction. At $99.15 per share, BMO pays a 3.5% dividend. You can survive a recession, as investment income will keep flowing every quarter for years on end.

Play defence

There’s no argument when risk-averse investors advise you to make Fortis a core holding. The utility stock is a defensive play, no less. Also, like BMO, the dividend yield isn’t high (3.61%), but it’s the quality and safety of payouts you pay for. This $26.4 billion company provides electricity and gas in Canada, the U.S., and the Caribbean countries, so the business is essential.

Fortis spent $900 million in Q1 2021 (quarter ended March 31, 2021) to support its utilities’ resiliency. The amount, which includes modernization and cleaner energy products, was a record capital investment in a quarter. Income-wise, net earnings increased 13.78% versus Q1 2020.

According to David Hutchens, president and CEO of Fortis, the company will exit coal and expect an additional 2,400 MW of new wind and solar power plus 1,400 MW energy storage by 2035. Hutchens also said that with its low-risk growth strategy, management is confident Fortis can fulfill its promise of a 6% average annual dividend growth through 2025.

At $56.26 per share, current investors are up 10.27% year to date. Fortis has yet to break its track record of increasing dividends for the past 47 consecutive years,

Anchors in recession

National Bank of Canada forecasts GDP for 2021 to be 6% versus the -5.3% contraction in 2020. However, growth could taper off to 4% in 2022. You can stay invested but make BMO and Fortis your anchors as soon as possible.

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2. NYSE:FTS (Fortis Inc.)
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