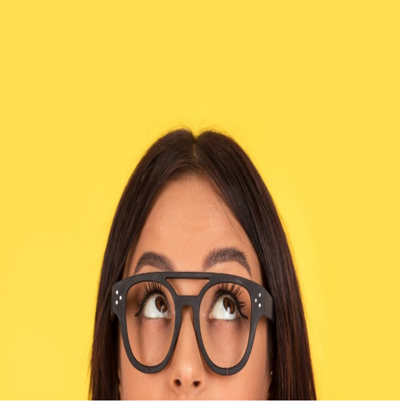

Recession Coming in 2023? 2 Value Stocks to Buy Now

Description

The inversion of the U.S. yield curve could be signaling a recession in the early innings of 2023. Indeed, it was an ominous indicator that many folks are talking about these days. The accuracy of the economic indicator makes it tough to overlook it, especially given all the negative events that could fuel the next big downturn. Undoubtedly, the growth trade has led broader stock markets out of the bottom of March 2022. The correction seems to be behind us, with sights set on new highs.

Still, with all the risk out there, from war to the pandemic, it's really hard to see how central banks can continue raising interest rates without hurting economic growth considerably. Yes, the Fed wants to engineer a soft landing. But what it wants and what we could get are another story.

Recession in 2023? It's hard to tell: The outlook isn't very bright

Certain pundits think the Fed has a tough job, and it's hard to argue with that. By pulling the lever that cools inflation, economic growth will also cool. With inflation at today's unprecedented heights, it's arguable that it could take a drastic cooling of the economy to get inflation back under control. With almost 8% in inflation in the states, there's no question that the Fed sees the need to hike now with the intention of asking questions later. The hawkish tone sent broader markets spiraling lower on Tuesday, with U.S. rates creeping above that dreaded 2.5% mark.

The growth trade, which had heated up in recent weeks, is taking a few steps back. Whether this is the start of a move that could see markets and growth stocks retest those March lows is anyone's guess. I'd argue it's likely, especially given the recent relief rally seems overdone and not based on too much good news. Arguably, not much good news has occurred on the COVID front or the Ukraine-Russia crisis.

In this piece, we'll have a look at two value plays that I think could help investors defend against another pick-up in volatility or the occurrence of a recession.

IA Financial

IA Financial (TSX:IAG) is an intriguing dividend stock that doesn't get much respect for its less-exciting growth prospects. Though IA may be more domestically focused than some of its hotter peers, I'd argue that in terms of playing defence, few insurers do it better than IA. The dividend yield isn't at all as high as it could be. At 3.4%, the payout is bountiful, but you could do a heck of a lot better with some of IA's peers.

In any case, I view IAG stock as ridiculously cheap at 9.6 times trailing earnings. With a prudent management team that knows how to bounce back from an economic downturn, I think IA is in a great spot to outperform its riskier, albeit growthier peers in the insurance scene. After falling over 11%, I think the $74-and-change-per-share level is a great entry point.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another boring stock that investors should own ahead of a recession or market pullback. Indeed, the stock's low correlation to the TSX and S&P 500 are primary reasons why the stable utility is a great pick-up, even as others look to buy into the growth recovery trade.

No, Fortis won't rocket higher overnight, as many battered growth plays will. At the same time, it won't crumble like a paper bag if the inverted yield curve is proven right and we fall into a recession. Fortis won't be spared entirely, but its steady operations should allow investors to better weather any future storms. And if there is no recession in the cards for 2023? Fortis will still do well, and you can still collect the bountiful 3.4% yield.

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