



Time to Be Greedy: 3 Canadian Stocks to Buy as Recession Fears Mount

Description

Today, the market is in fear, as the U.S. Federal Reserve [hiked](#) the interest rate by 50 basis points (bps) after increasing it by 25 bps in March. The Fed is pulling the stimulus money from the market to curb inflation. This has increased the fear of recession.

When the market is fearful...

The S&P 500 Index fell 3%, increasing its 2022 drop to 13%. The TSX Composite Index fell 2.26%, increasing its two-week decline to 6%. If stimulus money alone were the cause, the stock market wouldn't have reacted the way it is reacting. It is the fear of a looming recession that is driving the market into a [downturn](#).

"Be fearful when others are greedy and greedy when others are fearful."
[Warren Buffett](#)

Here, I will drift a little to the *Harry Potter* world. Professor Dumbledore said, "It is our choices, Harry, that show what we truly are, far more than our abilities." The same goes for your portfolio. Either you can succumb to fear and sell or brace to be greedy and buy stocks at the dip.

Which stocks to buy in a recession? Choose stocks on the basis of logic and fundamentals.

Three Canadian stocks to buy in a recession

I am not saying the recession has come, but there is no harm in preparing for a contingency ahead. If a recession occurs, it would be because prices of commodities where Russia is a major exporter are rising. It will take time for alternative supplies to fill the gap created by sanctions on Russia. This will divert consumers' money to energy, commodities, and consumer staples, and impact non-essential sectors like automotive.

In this scenario, invest in an index ETF, because the market [always rebounds](#) after a crash. Buying in the market crash can boost your returns significantly in the uptrend.

Index ETF

Horizons S&P/TSX 60 Index ETF ([TSX:HXT](#)) invests in 60 large-cap stocks. These stocks have the ability to bounce back. The index fund allocates assets only to the top stocks and automatically sells underperforming stocks. If you had invested in the HXT ETF in the March 2020 dip, you would have earned a 125% return in two years. This is way above its average annual return of 10.5%. The ETF is down 8% from its April high. Keep buying the dip until the ETF bounces back to recovery.

Dividend stocks

Another good investment during a recession is buying into [Dividend Aristocrats](#). There is no stock that beats **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) in the dividend game. Enbridge is earning significant cash flows, as Canada's strategic importance increases in the current energy crisis. The United States and Europe have banned Russian oil and are looking for alternatives. Canada is one of the alternatives. At present, all existing oil and gas pipelines from Canada to the United States are running at full capacity.

Enbridge did slow its dividend-growth rate from nearly 10% in 2019 to 3% in 2020 and 2021, but it has continued to pay dividends. It has a more than 50-year history of dividend payments and a 27-year history of growing dividends. The 6% annual dividend yield could provide you with some liquidity in a recession.

If Enbridge can pay dividends during a recession, it can sustain a recession.

Real estate stocks

The third recession investment is real estate. Land is limited, and global warming is reducing the land conducive to habitat. A recession could pull down real estate prices, but they will bounce back, as land can never go out of demand. Thankfully, REITs have made real estate investment more affordable.

Among the Canadian REITs, **SmartCentres REIT** and **Choice Properties REIT** are good choices. They have significant exposure to consumer staples like **Walmart** and **Loblaw**. The two REITs dipped 9% and 5% from their April high. When their prices fall, distribution yields rise.

A recession could force REITs to cut dividends, but the above two have the protection of consumer staples. Hence, they could sustain a recession.

Summing it up, it is time to buy while the market flash sale is live.

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2. Stocks for Beginners

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2. TSX:ENB (Enbridge Inc.)
3. TSX:HXT (Horizons S&p/tsx 60 Index ETF)

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