Recession Fears? Here’s How to Protect Your Cash

Description

The word *recession* appears more and more these days, just as it did in the months before the March 2020 crash. Back then, no one could have predicted that a global pandemic would still be surging through the world in 2022. However, there are a few reasons to believe a recession could soon be coming our way.

What’s been going on?

It started with the pandemic, leading stocks to grow higher and higher until a correction needed to happen. However, in 2022, a few more problems became apparent. First, there was the supply-chain issue. Then it was labour. This all led to inflation which then led to the increase in interest rates.

It’s this last issue that remains on the minds of recession-fearing Canadians today. The United States Federal Reserve may boost rates once more this month. The Fed is expected to raise it again to battle inflation — the highest it’s been in more than four decades. This all while the largest drop in half a century continues on the **S&P 500** and the biggest since March 2020.

After the first increase since 2018 of 25 basis points, analysts expect the Fed to raise rates another 50 basis points. Investors should be concerned, as this could only be the beginning of a tightening monetary policy.

Is it all bad news?

Yes and no. Some analysts believe inflation has peaked, at least in Canada. Inflation rose from 5.1% in January to 6.7% in March of this year. While we’re still waiting on April numbers, this will be the signal as to whether inflation has peaked or not.

A peak would be good news, but the Fed increasing rates along with the Bank of Canada could lead to a recession that pushes the stock market down. This has increasingly put pressure on tech and growth stocks that have come down by remarkable levels.

Where to invest

If you want to protect your cash, there are a few options that analysts still love. First, there's the **Nexus REIT** (TSX:NXR.UN). This company has a unanimous "buy" recommendation by analysts and a 5% dividend yield. It owns 106 industrial, office, and retail locations across the country. These are expanding opportunities, especially within the industrial sector. It remains cheap, trading at 7.85 times earnings, and shares are up 37% in the last year alone.

Then I would throw in a Big Six bank like **Royal Bank of Canada** (TSX:RY)(NYSE:RY). These banks managed to hold back credit loans from the pandemic and will now need it during a recession. But this will allow them to bounce back within a year, as they tend to do. And that includes Royal Bank, which trades at 11.71 times earnings with a dividend of 3.7% as of writing.

Shares are far down this year and are likely to fall further with a recession. However, given the fall it's had already, it won't be significant in the next few months. Plus, you'll have a dividend cushion, along with the knowledge it will bounce back with those credit loan losses.

Foolish takeaway

A recession can be scary, but it can also be an opportunity for long-term thinking investors. So, continue to do your research and prepare yourself. That will make an economic downturn feel less terrifying in the months to come.

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