



Worried There's a Recession on the Horizon? Buy These Stocks

Description

Over the past few months, we've seen fears of a potential recession on the horizon grow substantially. The market is already selling off due to several factors. However, while the fear in markets is clearly picking up, there are stocks you can buy that will not only protect your portfolio in a recession, but they can also return passive income and even potentially gain value.

First off, before doing anything, it's crucial to understand there may not even be a recession. Nobody can predict the future. There are just several reasons that a recession could be likely.

[Inflation](#) is sky high and will weigh on consumer spending, which could make it difficult for the economy to grow. In addition, in order to slow inflation, central banks are raising interest rates. However, increasing interest rates can also slow the economy's growth.

Not only that, but the pandemic is still creating supply chain issues, which is making it even more difficult for businesses across several industries to operate at their optimum capacity.

And there are several other concerns, too, including sky-high housing prices, record debt loads, and more.

The chances of a recession are certainly high but not guaranteed. This is why you can't just try and predict what's going to happen and sell your stocks.

Instead, it's much better to ensure that your portfolio is full of stocks that you're comfortable owning through a recession. Here are some of the best stocks in Canada that you can buy and hold through a recession.

The best stocks to buy ahead of a recession are high-quality and defensive businesses

There are several high-quality businesses that have been around for years, have operated through recessions in the past and continue to grow and be dominant companies today.

For example, **Fortis**, one of the least-[volatile](#) Canadian stocks, has increased its dividend for nearly 50 straight years. That's not just impressive. It means that Fortis has been increasing its dividend through several recessions and different market conditions.

Enbridge is another one of the best Canadian stocks you can buy ahead of a recession, considering that it's been around for decades. It's also a stock that's consistently increased its dividend for years, including through several recessions.

Both of these companies have highly defensive operations, which is a significant reason they are so safe and some of the top stocks to have confidence owning through a recession. However, they are also some of the best stocks to buy because they are constantly executing and meeting the goals management sets.

You can also find stocks that have the potential to gain value in a recession

In addition to highly defensive companies that can continue to earn strong cash flow through thick and thin, there are also high-quality stocks to buy that can see their sales grow in a recession.

For example, **Dollarama** has the potential to grow its business, as it typically gains market share in a recession and likely already has due to such high inflation.

Both high inflation and recessions impact consumers' aggregate income. Therefore, by shopping at discount retailers like Dollarama, consumers can try and save money on essential goods they need to buy.

Another stock to consider is a company like **Ritchie Bros Auctioneers**. Typically, when recessions hit, there is more turnover of assets in the economy, helping a company like Ritchie Bros to see a major uptick in its operations.

Bottom line

One of the reasons stocks sell off when there are fears of a recession is that investors are worried about how their investments may be impacted. However, selling your investments can be dangerous, especially if a recession never materializes.

Instead, it's much better to ensure you own high-quality stocks that you're confident can work through the pandemic and continue to focus on expanding their businesses over the long run.

Whether or not a recession materializes, it won't last forever. And when the economy finally turns the corner and begins to strengthen again, it's the best opportunity for stocks to gain value.

Therefore, right now, as fears of a recession are high and many high-quality stocks are trading

undervalued, it's one of the best opportunities to buy stocks.

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