3 Stocks to Buy if You Are Worried About a Recession

Description

As scary as the fear of a recession might be, especially just a couple of years after the pandemic-driven market crash and economic upheavals, many opportunities accompany a recession. However, adding more risk to your portfolio when it's already having a hard time staying afloat is not the cup of tea for most conservative investors.

If you share that view and instead want to park your cash in safe investments that may not suffer as severely from the recession as other businesses, there are quite a few options, three of which stand out from the rest.

A utility company

Utility businesses are inherently safe, and companies like **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) take that safety a step further for multiple reasons. Algonquin owns both ends of the business when it comes to electricity utility. The company both generates *and* distributes electricity to a well-established consumer base.

The second layer of security that makes it a healthy long-term investment is the green nature of its power generation, which gives it an edge.

The stock has quite recently proven its resilience in the 2020 crash. It fell almost 26.5%, but it rose back to its pre-pandemic peak in less than a year. It can do the same again, and if you wait till buying at the height of the recession, you may lock in an even juicier yield than the current 5.11%.

A grocery retail giant

Another thing that has the potential to survive a recession is the grocery business. People cut back on discretionary spending, but they still have to eat, and homecooked food is usually the most affordable option. This makes an investment like **Loblaw Companies** (TSX:L) a strong anchor against the headwinds triggered by a recession.

But food isn't Loblaw's only business. In addition to the 18 food-related brands under its name, the company also owns a massive health and wellness business with seven brands to its name.

Loblaw has a massive local presence and is rooted deep in the community, making it a safe investment. However, from a returns perspective, it would make more sense to buy it *at* a market crash rather than now when it's still riding the post-pandemic growth momentum.

A healthcare-oriented REIT

NorthWest Healthcare Properties REIT (TSX:NWH.UN) combines the tangibility of real estate with the safety of the healthcare business, even during a recession. However, that doesn't always reflect in the stock's performance. It fell over 43% in the 2020 crash, but it did recover within a year, and it has mostly been steady since then.

If a recession does happen, the stock might not fall as hard as it did during the pandemic. But even a tiny fall might be a big incentive to buy this REIT since it would inflate the already robust 6.1% yield to a much more attractive number.

NorthWest can be considered safe, not just because of its overlap with healthcare but also for its geographically diversified portfolio.

Foolish takeaway

A portfolio mainly made up of blue-chip stocks like Loblaw and safe smaller investments like NorthWest has a high probability of surviving the recession without losing half its value and recovering in around a year compared to undiversified, riskier portfolios.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:L (Loblaw Companies Limited)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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