1 Dirt-Cheap Canadian Stock That Could Soar in a Recession

Description

The market waters have been really rough in 2022. Indeed, more of the same could be in the cards as we enter the summer months. With so much bearish sentiment being spewed around these days, it's tough to find anything to be optimistic or bullish about. Valuations have nosedived over the past six months. Though the macro environment has dimmed, many firms are continuing to excel. Regardless, sometimes fear and negativity boils over.

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With the S&P 500 attempting to recover from a move into a bear market (that's a 20% drop from peak levels, folks!), it seems as though a hard-landing recession is unavoidable. Many big banks have hiked their expectations for an economic downturn due to Fed rate hikes. However, the consumer has remained resilient, despite all the headwinds. There's no question that the consumer has re-allocated funds in response to the high inflation rate. And they'll likely continue doing so, as dents in the economy's armour become more prominent.

I'd look to some of the top Canadian defensives for those looking to batten down the hatches with their TFSA (Tax-Free Savings Account) funds as we endure another round in the ring with a Mr. Market, who's not pulling his punches!

A recession is partially baked in, with most expecting it to arrive within the next 18 months. If it doesn't happen, the stock market could melt up very sharply and unexpectedly. While I'm not a raging bull ignoring all the negatives, I acknowledge that nobody can time markets and that surprises are more than likely. After enduring so many black swan events in the past two years, you have to be humble and acknowledge that anything can happen with markets. With that, you must be ready to play both sides of the coin.

If a recession does land, investors need names that can help them navigate through what could be a challenging year or two. Lowly correlated stocks like **Fairfax Financial Holdings** (TSX:FFH) fit the bill as stocks that can help investors cope with more turbulent times.

Fairfax Financial: Shares of Prem Watsa's empire are dirt cheap

Headed by unorthodox investment manager Prem Watsa, Fairfax Financial stock is one of those names that tends to zig while markets zag. The man has a deep-value approach. But more importantly, he's incredibly patient, perhaps more patient than Warren Buffett himself. Further, Watsa leverages hedges and is all about protecting himself from big downside events. Undoubtedly, Watsa has earned the title of Canada's Warren Buffett for his stellar navigation through the 2008 Great Financial Crisis.

While nobody knows if the 2023-24 recession will be as bad as the one suffered 14 years ago, I think FFH stock offers great peace of mind. The stock is up an impressive 9% year to date, while the S&P 500 is just shy of returning to a bear market. Fairfax has dragged its feet for most of the bull market, but with the bear out of his cave, I'd argue that Fairfax stock is worth considering again. The stock is dirt cheap at 5.4 times trailing earnings and discounts the abilities of Prem Watsa.

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