1 Cheap Dividend Stock to Buy as Recession Fears Rise

Description

It seems inevitable that the U.S. Federal Reserve is going to rate hike its way into a potentially severe recession. Undoubtedly, many pundits are already bracing themselves, by increasing the energy and defensive weighting in their portfolios. With George Soros recently warning about a potential global depression, things definitely seem scarier than in the early part of 2020, when the coronavirus was spreading at a rapid rate just weeks before the start of the pandemic.

Indeed, it was scary to be an investor, as stocks nosedived rapidly. However, this time around, it's terrifying that the Fed is unlikely to have our backs. Investors have been fighting the Fed thus far, with rates of the U.S. 10-year note dragging down the fastest-growing tech stocks in the market. Could the "Fed put" be off the table, as we slowly and steadily tumble into the economic abyss? Until inflation rolls over, the Fed is going to have to continue serving up the bitter medicine of rate hikes.

Recession fears on the rise: Don't panic!

However, the stock market selloff and recession fears have already caused some economic disturbance, with layoffs being conducted at various companies in response to brutal share price declines and higher interest rates. Could it be that central banks were merely delaying the disastrous fate of 2020 for a later period of time? Indeed, 2022 has been an inflation-filled disaster that may not be so quick to subside.

Though things are grim right now, it's worth noting that inflation can still back off in the second half. If it comes in lower than expected, there's a real chance that the Fed could calm markets with dovish commentary. If inflation tumbles faster, fewer rate hikes will be needed. And if we do enter a recession, one has to think that rate cuts could be in the cards after inflation is dealt with. Undoubtedly, rapid-fire rate hikes, with the door open for rate cuts down the road could bode well for long-term investors. For near-term traders, though, the environment is sure to be turbulent.

In this piece, we'll check out two stocks that could fare well, even as we watch the Fed attempt to land the fast-falling aircraft that is the world economy.

Great-West Lifeco: A low-cost dividend stock on the TSX

Great-West Lifeco (TSX:GWO) is a great Canadian insurer that's staging a comeback after shares fell into a bear market, falling more than 22% from its peak just shy of $42 per share. Undoubtedly, the financial is equipped to do decent as rates rise. However, a tumble into recession would not bode well for life insurance sales. Fortunately, Canada seems less likely to take a brunt of the next rate-induced recession.

Canada's energy dependence could work for it this time around. And for that reason, Canadian insurers may be better able to hold their own. Undoubtedly, Great-West is mostly Canadian, but it does derive a big chunk of revenue from the U.S. and Europe. In any case, I think the price of admissions is too cheap at these levels. At 9.9 times trailing earnings, with a 5.8% dividend yield, investors have a lot to gain by buying the dip this time around.

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