



Canadians: Where to Invest if There's a Recession

Description

We all wish we could time a market bottom — especially during a recession. And right now, there are economists who worry one could be on the way.

The Bank of Canada raised its interest rate by 50 basis points on Wednesday, leading to a slight drop in the markets. This comes after about two weeks of recovery on the **TSX**.

Now, we're back into worry territory. But that ends now. I'm going to offer up some solutions. So, here's what you should consider and where you should invest should we hit a recession in the near future.

Don't take it all out

It can be *very* tempting to get out of the stock market during a recession. But this has to be one of the last resorts Canadians consider. If you don't have exposure, you're likely missing out on opportunities to great significant returns.

Instead, what you need is a strategy that works towards your goals — goals that should be set up with a professional financial advisor who has your best interests in mind. It's guaranteed that advisor isn't about to tell you to sell everything and hoard cash in your mattress.

Look for strength

Strength from stocks during a recession includes a few things. Canadians should look for companies that have strong balance sheets on the TSX today. These balance sheets remain strong, even [during a recession](#) and other economic factors. Such items to look for include low debt, stable cash flow, and a company that's still generating a profit.

Another show of strength would be business models that remain intact during this time. While these stocks won't necessarily be the biggest to fall and thus the largest deal, they do offer exposure to stability. And that's a strong addition to any portfolio during a recession.

Recession-proof industries

Then Canadians can look on the TSX today for industries that won't be swayed too far by the recession. I say "too far," as most companies will still be subject to the effects of a recession. It's just the nature of the beast. But they'll also be the ones to get cash coming their way first and foremost during a recovery.

Industries I would focus on are ones with long-term contracts and stability. That would include utilities, consumer staples, defence companies, and counter-cyclical stocks. In fact, this last category tends to move up when others go down (but also vice versa).

Options on the TSX today

If you're looking for some options, I have two that Canadians may want to consider on the TSX today. The first is **Dollarama** ([TSX:DOL](#)). The discount operator has been doing well for years, expanding even during the pandemic, when essential services allowed it to remain open but limited.

During a recession, people spend more at discount operators like Dollarama. Plus, during this period of inflation, more and more consumers have been going to Dollarama as well. It maintains a strong balance sheet and has beat earnings estimates the last two quarters in a row.

Utilities are another great choice. I would consider **Canadian Utilities** ([TSX:CU](#)). It's the only Dividend King on the TSX today, offering a yield of 4.43%. Not only do you get access to the stability of utilities but also the growth from [oil and gas](#) prices, thanks to its exposure to the industry.

During a recession, its long-term contracts will continue to bring in cash. It's beat earnings report after earnings report, with shares up 9% since the beginning of 2022.

Bottom line

There is certainly a way to protect your portfolio during a recession, and these two stocks offer strong options on the TSX today. So, don't miss out on opportunities! You just have to look in the right place.

CATEGORY

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2. Stocks for Beginners

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2. TSX:DOL (Dollarama Inc.)

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