Don’t Time the Market: Here’s a Safe Stock I’d Buy in the Face of Recession

Description

Talks of recession and the impact of Federal Reserve (or Bank of Canada) interest rate hikes have left investors feeling a bit rattled going into the summer season. Undoubtedly, there’s already been a considerable amount of selling done. Whether or not it continues is the million-dollar question.

With the talking heads calling for more pain, it’s easy to give in and find a reason to hit that sell button. It would feel so much better to get out with the intention of getting back in once the bearish price target of many prominent bank analysts and market strategists is reached.

More pain ahead for stocks?

Currently, **Morgan Stanley’s** Mike Wilson thinks the recent bout of relief will be short-lived. Wilson, who corrected called the previous bear market bounce just a few months ago, believes the S&P 500’s latest surge could end in yet another painful correction. His sights are set at the 3,400 level on the low end for the S&P 500.

Given Wilson’s proven to be an intelligent man with a great track record, why not just cash out of your stocks here and get back in once the S&P 500 flirts with the 3,400-3,500 range? Though Wilson is wise, it’s important to note that nobody knows for sure when, where, and how the current market selloff will bottom.

The dangers of timing the market

Though Wilson sees 3,400-3,500 for late summer or early fall corresponding to the Fed’s rate-hike schedule, I’d argue that there is already a lot of recession risk baked in. Undoubtedly, the recent slate of earnings has been quite mixed. And the next round, which could arrive in the mid- to late summer months, could have new TFSA investors biting their nails. If they’re weaker, showing more evidence of a slowdown, things could have the potential to get horrendous, and we could see markets test Wilson’s bearish target.

But what if things aren't as bad as they seem? What if earnings show signs of robustness and inflation has already rolled over? In such a scenario, markets could easily take off from here, perhaps rallying to finish the year close to breakeven. Indeed, it's tempting to sell now and get back in later, perhaps at a market strategist's target range. But by doing so, you run the risk of having to buy back at much higher prices. Like it or not, following short-term calls is timing the market. And doing so comes with risk.

I do not doubt the bearish calls by smart folks like Morgan Stanley's Mike Wilson. However, even smart minds can be proven wrong if a surprise is in the cards. We've seen many bulls turn to bears, lowing their expectations this year. Once markets pick up again, we could easily see the bears turn to bulls, lifting their outlook after an already sizeable rally.

So, which stocks to buy at this critical market crossroads? Energy and utility stocks have been resilient, and they could continue to reward TFSA investors even if a recession strikes and the rest of the market tumbles.

Fortis stock: A great buy for a TFSA, even as a recession nears

If anything, they're an excellent hedge against the Ukraine-Russia crisis, which could fuel the market's next leg lower. Currently, **Fortis** (TSX:FTS)(NYSE:FTS) stands out as an attractive buy at current levels, especially if you're overweight tech and other names that stand to be clobbered by a continuation of this market selloff.

Fortis is a bond proxy with a juicy 3.4% dividend yield and a modest 24.6 times trailing earnings multiple. With such a low beta, the stock can easily hold its value should the stock market correct yet again. Though utility stocks have been bid up in recent months, I like them over some of the higher-beta names, as the market looks to find its footing.

Sure, Fortis may have limited upside. But it may also have limited downside, given the resilience of its secure operating cash flow stream.

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