



The Top 5 Canadian Recession Stocks to Buy in June 2022

Description

This year, Canada might enter its second recession in two years. The United States experienced negative GDP growth in the first quarter. Canada may have as well. This article was written prior to Tuesday's GDP release, so that data wasn't available at the time of writing, but the signs from the U.S. looked dire. If Canada is indeed entering a recession, then investors would be wise to prepare for it.

In this article, I will explore five Canadian stocks that should do well if we enter a recession.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a Canadian utility company. It has raised its dividend every single year [for 48 years](#). Despite the recession we may be about to enter, the company still aims for 6% annualized dividend increases over the next five years.

Why is Fortis so confident in its ability to keep raising its dividend? It comes down to revenue stability. Utilities are essential services. Their contracts are usually locked in long term, and even if they weren't, people would be pretty reticent to go cold in the winter. As a result, utilities can usually count on their revenue coming in year after year, even in recessions.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is another utility stock like Fortis. Much of the thesis on AQN is the same as that for FTS: it's a utility, which means its revenue is safe during recessions. But there's more to the story than that.

AQN is a renewable energy focused utility that is investing heavily in solar and wind power. These are green energy sources that governments around the world are encouraging. So, AQN may fare a little better going forward than its emissions-heavy peers.

Dollarama

Dollarama ([TSX:DOL](#)) is a discount retailer that sells items for \$5 or less. Like most discount retailers, it tends to fare better than average during recessions. When recessions hit, cash-strapped consumers become more price sensitive and start looking for cheaper alternatives to items they buy. Dollarama carries many such items, including a limited selection of groceries.

During the COVID-19 [bear market](#), DOL's revenue never declined — in fact, it grew slightly. The company's earnings weren't as good, because it had to spend a lot of money on pandemic pay and other such benefits, but it fared better than banks and airlines did in the period. This time around, the pandemic is a much smaller concern, so DOL may really shine.

Northwest Healthcare

Northwest Healthcare Properties REIT ([TSX:NWH.UN](#)) is a Canadian REIT that leases office space to healthcare tenants. REITs in general aren't exactly recession-proof — sometimes their tenants go out of business. That's less the case with healthcare REITs though.

Healthcare in Canada and Europe — NWH's two main markets — is government funded. So, NWH's revenue is ultimately backed by government taxing power. This means that its revenue is much more stable than your average retail REIT. In its most recent quarter, NWH enjoyed about a 98% occupancy rate, showing that it is thriving, even in these challenging economic times.

Enbridge

You might be surprised to see an oil stock like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) on a “recession stocks” list, but ENB isn't your average oil stock. The company has a big natural gas utilities business that benefits from the same phenomenon (revenue stability) that FTS and AQN do. Additionally, its crude oil pipeline business is less vulnerable to recessions than other oil businesses are.

Unlike E&Ps, pipelines don't sell oil directly. Instead, they transport it in exchange for fees, much like trucking companies do. Demand for oil slows somewhat in recessions, but there is currently enough demand for oil that people are still paying for crude by rail. So, in a recession, we'd expect the much cheaper pipelines to do at least OK.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:DOL (Dollarama Inc.)

6. TSX:ENB (Enbridge Inc.)
7. TSX:FTS (Fortis Inc.)
8. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date

2025/08/29

Date Created

2022/06/04

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