Recession Investing Strategies for Canadians

Description

Many of the world's foremost economic organizations have raised the spectre of recession when discussing the current paradigm. This decade has already seen investors put in a position to contend with a generational global pandemic, inflation rates not seen in decades, and the largest and potentially most devastating war on European soil since World War II. The head of the World Bank recently warned that it will be hard to avoid a global recession due to these enormous pressures. Indeed, the Russia-Ukraine war has already had a destructive impact on international food supply.

Today, I want to look at investing strategies that Canadians may want to undertake in the face of this uncertainty.

Seek out dependable dividend stocks

Canadian investors can take a practical approach in the face of these pressures and target reliable dividend stocks. These are income-yielding equities that have typically provided a strong history of dividend growth. Investors who are seeking broad exposure may want to snatch up **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC).

This exchange-traded fund (ETF) is specifically designed to provide exposure to a dividend focused portfolio. Its shares have increased marginally in 2022 as of close on June 1. It is up 4.1% from the same period in 2021.

Some of the top holdings in this ETF include blue-chip beasts like **TD Bank**, **Enbridge**, and **BCE**. This ETF offers a monthly distribution of $0.10 per share, which represents a tasty 6.2% yield. I'm happy to stash this ETF in the event of a recession.

Stash equities that will be resilient in the face of a recession

Instead of focusing on blue-chip dividend stocks broadly, Canadians may want to snatch up equities that are set up for success, even in the face of economic turbulence. For example, grocery retail is an essential service that is set up to thrive, even during downturns. That is why I'd look to snag a stock like **Slate Grocery REIT** (TSX:SGR.U). This Toronto-based real estate investment trust owns and operates grocery stores in North America. Its shares have increased 3.2% so far in 2022.

Suncor (TSX:SU)(NYSE:SU) is another stock you can trust, even as we contemplate a potential recession. Oil and gas prices have erupted after Russia's full-scale invasion of Ukraine in late February. Moreover, the European Union's recent measures could further restrict the Russian energy sector from global markets. Suncor stock has shot up 56% in 2022 as of close on June 1. Its shares are up 71% from the previous year.

Slate Grocery REIT offers a monthly dividend of $0.072 per share, which represents a monster 7.3% yield. Suncor, however, last paid out a quarterly dividend of $0.47 per share. That represents a 3.6% yield.

Stay on the sidelines with cash

Canadian investors may also want to retreat to the sidelines in the event of a recession. Of course, investors should not endeavour to sit on cash for very long. This can be especially damaging in a high inflation environment like we are currently experiencing. If you are sitting on a lot of cash, that can be a solid near-term solution. However, in the medium and long term, you should look to put that cash to work by snatching up discounted equities.

CATEGORY

1. Investing

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2. TSX:SGR.U (Slate Retail REIT)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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