3 Reasons to Buy Stocks Now Despite Rising Recession Risks

Description

The market correction has created many opportunities for investors. At the same time, though, the correction has been due to rising fears that there will be a recession next year. So, although many stocks certainly look attractive, investors are hesitant to buy with so much uncertainty in markets.

And while that's understandable, if you're investing for the long haul, there will be plenty of pullbacks along the way.

So, rather than worrying about what might happen next, here are three reasons you can have confidence in continuing to buy stocks in this environment, despite the potential for a recession next year.

If you buy high-quality stocks, they should be able to withstand a recession

As long as you focus on buying high-quality companies, then whether a recession materializes or not, you don't have to worry.

If you're trying to speculate or buy high-risk stocks, that's a different story. But for investors interested in finding high-quality businesses that you can own for years, these stocks are going to have to withstand several pullbacks and economic slowdowns.

Plus, a lot of the best Canadian stocks to buy, especially ahead of a recession, are dividend stocks. And the passive income you can receive from these stocks can be significant when the economy is in a recession.

Therefore, rather than trying to speculate on whether or not a recession materializes, it's crucial to use this correction as an opportunity to buy the best stocks while they're cheap.

Dollar-cost averaging is an excellent way to mitigate volatility

If you're an investor that's constantly saving money each month or every quarter and adding it to your investment portfolio, you can use dollar-cost averaging to your advantage.

Not only is it a great strategy that mitigates volatility, but when you know you're going to have more cash down the road to buy more stocks, you can have confidence buying at these levels today.

This way, you don't have to worry about whether or not stocks get cheaper over the coming months. Instead, you can focus on finding the best stocks to buy today, whether a recession is coming or not.

Then down the line, as your savings accumulate again, you'll have more chances to take advantage of the opportunities at that time.

Trying to time the market is speculative and highly difficult

Lastly, one of the most important reasons to buy stocks in this environment, even though a recession looks likely next year, is that nobody knows for sure what's going to happen. And when there are insane bargains presenting themselves to you, you have to pull the trigger.

For example, a stock like **goeasy** (TSX:GSY) is an incredible long-term growth stock that's become ultra-cheap in recent months. Trading below $100 a share, the stock has a forward price-to-earnings ratio of just 7.9 times and is more than 50% off its high.

Therefore, I'd much rather buy goeasy today than hope or worry that it will continue to fall in price over the coming months. Plus, even if it did, because I plan on dollar-cost averaging, I could always buy more goeasy shares in the future if the price continues to get more attractive.

However, if I hold off on buying for goeasy, thinking the market may continue to sell off, and it doesn't, I've missed the opportunity to buy the stock while it's ultra-cheap, and it could be years before it trades at such a significant discount again.

Therefore, as long as you're an investor with patience and a long-term investing horizon, you can have confidence in finding the best stocks to buy today, whether a recession is coming or not.

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