Market Selloff: A Top Canadian Stock to Buy for a 2023 Recession

Description

The market selloff has caused many investors to lose hope. It's not easy to see your TFSA lose a considerable amount of its value in the first six months. We're in the midst of a bear market in the S&P 500, with the TSX Index that may follow suit. Inflation has been a terrible beast, and central banks may have few alternative options other than to raise interest rates.

In any case, investors should not time this market or look to jump out in anticipation of more market damage. Why? Investors are no fans of rate hikes. They feared a bigger hike this week from the Fed. When the Fed gave them the triple hike, markets actually rallied. It was an unexpected move that may not have made sense to certain beginner investors.

Why would markets rise on news of something that's supposed to take a jolt out of the economy?

Indeed, there was a non-zero chance of a full point (100 bps) hike. Further, it seems as though the market wants the economy to pull the brakes to get all this inflation under control! It's a weird place to be when news of layoffs and hiring freezes are actually met with relief from the broader markets.

Too much fear in the markets as investors brace for a 2023 recession

With so much fear and panic in the markets, it may not take much for stocks to melt-up again. The first half of 2022 was terrible. Will the second half see more of the same? History suggests those who buy bear markets tend to come out on top over the long term. Whether or not the second half is met with more panic remains to be seen. Regardless, there are bargains that do exist today, and investors should be willing to buy ahead of what could be a bounce on better-than-expected CPI numbers.

Could June's inflation data suggest the inflation beast has finally been slain? Probably not. However, it doesn't need to roll over for markets to react positively. A modest decline would be enough to fuel optimism and hope on the part of investors who can't seem to value stocks, as they tumble amid the macro deterioration.

The rate hikes will need a couple of months to come into effect. Still, the recent crash (or correction) in stock markets, fear of a recession, inflation's impact on consumer balance sheets, and geopolitical fears have likely done part of the Fed's job for it in the battle against inflation.

The consumer isn't nearly as sanguine as it was last year, and as inflation rolls over amid consumer demand destruction, we could see inflation fall quicker than many expect. If it does, the bounce back in stocks could have the potential to be sizeable.

Restaurant Brands International: A great buy for a recession

Currently, I'm a big fan of profitable defensive growth companies like **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). As recessions hit, fast-food stocks tend to do quite well. If inflation and an economic downturn are in the cards, firms like Restaurant Brands could be the place to hide, as consumers flock over the value menu over at Burger King.

Undoubtedly, Restaurant Brands has not been managed well. However, I think there's room for improvement, and as the macro tides turn in its favour, I think the stock can surge towards its all-time highs again. Indeed, the more than 4% dividend yield is bountiful at a time like this, when inflation is running hot.

As rates take a step out of inflation's rise, the economy could fall into a recession, and investors will want recession-resilient names like QSR to keep their portfolios above water. For now, inflation is weighing. Next year, it could be slowed growth and still very high inflation.

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